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ALABAMA POWER CO  
Form 424B5  
April 09, 2004

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Registration Nos. 333-110950  
333-110950-01  
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333-110950-03

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 19, 2003)

\$150,000,000

(ALABAMA POWER LOGO)

SERIES AA 5 5/8% SENIOR NOTES DUE APRIL 15, 2034  
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Interest payable on January 15, April 15, July 15 and October 15  
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THIS IS A PUBLIC OFFERING BY ALABAMA POWER COMPANY OF \$150,000,000 OF ITS  
SERIES AA 5 5/8% SENIOR NOTES DUE APRIL 15, 2034.

ALABAMA POWER COMPANY MAY REDEEM THE SERIES AA SENIOR NOTES, IN WHOLE OR IN  
PART, AT ANY TIME ON OR AFTER APRIL 21, 2009 AT A PRICE EQUAL TO 100% OF THE  
PRINCIPAL AMOUNT OF SERIES AA SENIOR NOTES TO BE REDEEMED PLUS ANY ACCRUED AND  
UNPAID INTEREST TO THE DATE OF REDEMPTION.

PAYMENTS OF PRINCIPAL AND INTEREST ON THE SERIES AA SENIOR NOTES WHEN DUE  
WILL BE INSURED BY A SURETY BOND TO BE ISSUED BY FINANCIAL GUARANTY INSURANCE  
COMPANY.

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(FGIC LOGO)  
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APPLICATION WILL BE MADE TO LIST THE SERIES AA SENIOR NOTES ON THE NEW YORK  
STOCK EXCHANGE. IF APPROVED, ALABAMA POWER COMPANY EXPECTS TRADING OF THE SERIES  
AA SENIOR NOTES TO BEGIN WITHIN 30 DAYS AFTER THE SERIES AA SENIOR NOTES ARE  
FIRST ISSUED.

SEE "RISK FACTORS" ON PAGE S-3 FOR A DESCRIPTION OF CERTAIN RISKS  
ASSOCIATED WITH INVESTING IN THE SERIES AA SENIOR NOTES.

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PRICE 100% AND ACCRUED INTEREST, IF ANY  
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	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO ALABAMA POWER COMPANY
	-----	-----	-----
Per Series AA Senior Note.....	100.00%	3.15%	96.85%
Total.....	\$150,000,000	\$4,725,000	\$145,275,000

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Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this Prospectus Supplement or the accompanying Prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the Series AA Senior Notes to purchasers on April 21, 2004.

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MORGAN STANLEY

A.G. EDWARDS & SONS, INC.

CITIGROUP

MERRILL LYNCH & CO.

April 7, 2004

In making your investment decision, you should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it.

We are offering to sell the Series AA Senior Notes only in places where sales are permitted.

You should not assume that the information contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus, including information incorporated by reference, is accurate as of any date other than its respective date.

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### RISK FACTORS

Investing in the Series AA Senior Notes involves risk. Please see the risk factors in Alabama Power Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, which is incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The risks and uncertainties not presently known to Alabama Power Company or that Alabama Power Company currently deems immaterial may also impair its business operations, its financial results and the value of the Series AA Senior Notes.

### THE COMPANY

Alabama Power Company (the "Company") is a corporation organized under the laws of the State of Alabama on November 10, 1927, by the consolidation of a predecessor Alabama Power Company, Gulf Electric Company and Houston Power Company. The Company has its principal office at 600 North 18th Street, Birmingham, Alabama 35291, telephone (205) 257-1000. The Company is a wholly owned subsidiary of The Southern Company ("Southern").

The Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within an approximately 44,500 square mile service area comprising most of the State of Alabama.

### SELECTED FINANCIAL INFORMATION

The following selected financial data for the years ended December 31, 1999 through December 31, 2003 has been derived from the Company's audited financial statements and related notes, incorporated by reference in this Prospectus Supplement and the accompanying Prospectus. The information set forth below is qualified in its entirety by reference to and, therefore, should be read together with management's discussion and analysis of results of operations and financial condition, the financial statements and related notes and other

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financial information incorporated by reference in this Prospectus Supplement and the accompanying Prospectus.

	YEAR ENDED DECEMBER 31,				
	1999	2000	2001	2002	2003
	(MILLIONS, EXCEPT RATIOS)				
Operating Revenues.....	\$3,385	\$3,667	\$3,586	\$3,711	\$3,966
Earnings Before Income Taxes.....	658	698	650	768	788
Net Income After Dividends on Preferred Stock.....	400	420	387	461	478
Ratio of Earnings to Fixed Charges(1).....	3.59	3.46	3.31	3.98	4.22

	CAPITALIZATION AS OF DECEMBER 31, 2003		
	ACTUAL	AS ADJUSTED (2)	
	(MILLIONS, EXCEPT PERCENTAGES)		
Common Stock Equity.....	\$3,501	\$3,525	45.1%
Cumulative Preferred Stock.....	373	473	6.0
Senior Notes.....	2,825	2,975	38.0
Mandatorily Redeemable Preferred Securities.....	300	300	3.8
Other Long-Term Debt.....	551	551	7.1
-----			
Total, excluding amounts due within one year of \$526 million.....	\$7,550	\$7,824	100.0%
	=====	=====	=====

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- (1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Income Taxes" "Interest expense, net of amounts capitalized," "Distributions on mandatorily redeemable preferred securities" and the debt portion of allowance for funds used during construction; and (ii) "Fixed Charges" consist of "Interest expense, net of amounts capitalized," "Distributions on

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mandatorily redeemable preferred securities" and the debt portion of allowance for funds used during construction.

- (2) Reflects: (i) the issuance in February 2004 of 500,000 shares of common stock to Southern at \$40.00 per share; (ii) the issuance in February 2004 of 4,000,000 shares (\$100,000,000 aggregate stated capital) of 5.30% Class A Preferred Stock, Cumulative, Par Value \$1 Per Share (Stated Capital \$25 Per Share); (iii) the issuance in February 2004 of \$200,000,000 aggregate principal amount of Series Z 5.125% Senior Notes due February 15, 2019; (iv) contributions to capital from Southern in March 2004 in the amount of \$4,000,000 and (v) the issuance of the Series AA Senior Notes and the application of the use of proceeds as described herein.

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### USE OF PROCEEDS

The proceeds from the sale of the Series AA Senior Notes together with other funds will be used by the Company to redeem on May 26, 2004 the Series J 6.75% Senior Notes due June 30, 2039 currently outstanding in the aggregate principal amount of \$200,000,000.

### DESCRIPTION OF THE SERIES AA SENIOR NOTES

Set forth below is a description of the specific terms of the Series AA 5 5/8% Senior Notes due April 15, 2034 (the "Series AA Senior Notes"). This description supplements, and should be read together with, the description of the general terms and provisions of the senior notes set forth in the accompanying Prospectus under the caption "Description of the Senior Notes." The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Senior Note Indenture (the "Senior Note Indenture") dated as of December 1, 1997, as supplemented, between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Senior Note Indenture Trustee").

### GENERAL

The Series AA Senior Notes will be issued as a series of senior notes under the Senior Note Indenture. The Series AA Senior Notes will be initially issued in the aggregate principal amount of \$150,000,000. The Company may, without the consent of the holders of the Series AA Senior Notes, issue additional notes having the same ranking and interest rate, maturity and other terms, including the benefit of the Policy (as defined below), as the Series AA Senior Notes (except for the issue price and issue date). Any additional notes having such similar terms, together with the Series AA Senior Notes, will constitute a single series of senior notes under the Senior Note Indenture.

The entire principal amount of the Series AA Senior Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on April 15, 2034. The Series AA Senior Notes are not subject to any sinking fund provision. The Series AA Senior Notes are available for purchase in denominations of \$25 and any integral multiple thereof.

### INTEREST

Each Series AA Senior Note shall bear interest at the rate of 5 5/8% per annum (the "Securities Rate") from the date of original issuance, payable quarterly in arrears on January 15, April 15, July 15 and October 15 of each year (each, an "Interest Payment Date") to the person in whose name such Series AA Senior Note is registered at the close of business on the fifteenth calendar day prior to such payment date (whether or not a Business Day). The initial Interest Payment Date is July 15, 2004. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series AA Senior Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on such date. "Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which banks in New York, New York are

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authorized or obligated by law or executive order to remain closed or (iii) a day on which the Senior Note Indenture Trustee's corporate trust office is closed for business.

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### TRADING CHARACTERISTICS

The Series AA Senior Notes are expected to trade at a price that takes into account the value, if any, of accrued but unpaid interest; thus, purchasers will not pay and sellers will not receive accrued and unpaid interest with respect to the Series AA Senior Notes that is not included in the trading price thereof. Any portion of the trading price of a Series AA Senior Note received that is attributable to accrued interest will be treated as ordinary interest income for federal income tax purposes and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the Series AA Senior Note.

The trading price of the Series AA Senior Notes is likely to be sensitive to the level of interest rates generally. If interest rates rise in general, the trading price of the Series AA Senior Notes may decline to reflect the additional yield requirements of the purchasers. Conversely, a decline in interest rates may increase the trading price of the Series AA Senior Notes, although any increase will be moderated by the Company's ability to call the Series AA Senior Notes at any time on or after April 21, 2009.

### SPECIAL INSURANCE PROVISIONS OF THE SENIOR NOTE INDENTURE

Subject to the provisions of the Senior Note Indenture, so long as the Insurer (as defined below) is not in default under the Policy, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies with respect to the Series AA Senior Notes upon the occurrence and continuation of an Event of Default (as defined in the Senior Note Indenture).

### RANKING

The Series AA Senior Notes will be direct, unsecured and unsubordinated obligations of the Company and will rank equally with all other unsecured and unsubordinated obligations of the Company. The Series AA Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately \$295,000,000 outstanding at December 31, 2003. The Senior Note Indenture contains no restrictions on the amount of additional indebtedness that may be incurred by the Company.

### OPTIONAL REDEMPTION

The Company shall have the right to redeem the Series AA Senior Notes, in whole or in part, without premium, from time to time, on or after April 21, 2009, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest (the "Redemption Price") to the date of redemption (the "Redemption Date").

If notice of redemption is given as aforesaid, the Series AA Senior Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price together with any accrued interest thereon, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Series AA Senior Notes shall cease to bear interest. If any Series AA Senior Note called for redemption shall not be paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the Securities Rate. See "Description of the Senior Notes -- Events of Default" in the accompanying Prospectus.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), the Company or its affiliates may, at any time and from time to time, purchase outstanding Series AA Senior Notes by tender, in the open market or by private agreement.

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### MANDATORY REDEMPTION

In the event that (a) the Company issues or incurs any Secured Debt (as defined below) in addition to the Secured Debt of the Company outstanding as of the date of the Insurance Agreement between the Company and the Insurer pursuant to which the Insurer will issue the Policy (the "Insurance Agreement")

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in an aggregate amount at any one time outstanding during the term of the Insurance Agreement in excess of \$200,000,000 and fails to issue to the Insurer first mortgage bonds or obligations of the Company secured by a security interest in assets of the Company to secure the payment to the Insurer of the Company's reimbursement obligations under the Insurance Agreement or (b) the Company merges, consolidates, reorganizes or converts or transfers all or substantially all of the Company's assets and the Company's obligations under the Series AA Senior Notes and the Insurance Agreement are not assumed by, and do not become direct and primary obligations of, a regulated utility company, if the Company was a regulated utility company immediately prior to such transaction, then, unless the Insurer consents to such issuance or transaction, the Company shall redeem the Series AA Senior Notes prior to the stated maturity date, but in no event earlier than April 21, 2009, in whole, upon not less than 30 days' nor more than 60 days' notice at the Redemption Price. "Secured Debt" means indebtedness of the Company that in the aggregate is secured by a lien or liens on substantially all of the assets of the Company which are or would have been, if the Company's first mortgage bond indenture has been satisfied and discharged, subject to the lien of the Company's first mortgage bond indenture.

### BOOK-ENTRY ONLY ISSUANCE -- THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC") will act as the initial securities depository for the Series AA Senior Notes. The Series AA Senior Notes will be issued only as fully registered securities registered in the name of Cede & Co., DTC's nominee, or such other name as may be requested by an authorized representative of DTC. One or more fully registered global Series AA Senior Notes certificates will be issued, representing in the aggregate the total principal amount of the Series AA Senior Notes, and will be deposited with the Senior Note Indenture Trustee on behalf of DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "1934 Act"). DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the

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American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission (the "Commission"). More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series AA Senior Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series AA Senior Notes on DTC's records. The ownership interest of each actual purchaser of Series AA Senior Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Series AA Senior Notes. Transfers of ownership interests in

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the Series AA Senior Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series AA Senior Notes, except in the event that use of the book-entry system for the Series AA Senior Notes is discontinued.

To facilitate subsequent transfers, all Series AA Senior Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series AA Senior Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any changes in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series AA Senior Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series AA Senior Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to DTC. If less than all of the Series AA Senior Notes are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such Series AA Senior Notes to be redeemed.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Although voting with respect to the Series AA Senior Notes is limited, in those cases where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series AA Senior Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Company as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series AA Senior Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series AA Senior Notes will be made to Cede & Co., or such



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other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Company or the Senior Note Indenture Trustee on the relevant payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Company, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner of a global Series AA Senior Note will not be entitled to receive physical delivery of Series AA Senior Notes. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Series AA Senior Notes. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global Series AA Senior Note.

DTC may discontinue providing its services as securities depository with respect to the Series AA Senior Notes at any time by giving reasonable notice to the Company. Under such circumstances, in the event that a successor securities depository is not obtained, Series AA Senior Notes certificates will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof. The Company has no responsibility for the performance by DTC or its Direct or Indirect Participants

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of their respective obligations as described herein or under the rules and procedures governing their respective operations.

### THE POLICY AND THE INSURER

The following information has been furnished by Financial Guaranty Insurance Company (the "Insurer") for use in this Prospectus Supplement. Reference is made to Appendix A for a specimen of the Policy to be issued by the Insurer. No representation is made by the Company or any Underwriter as to the accuracy or completeness of any such information.

### THE POLICY

Concurrently with the issuance of the Series AA Senior Notes, the Insurer will issue a surety bond for the benefit of the holders of the Series AA Senior Notes (the "Policy"). The Policy will unconditionally guarantee the payment of principal of (at stated maturity) and interest on, the Series AA Senior Notes as such payments shall become Due for Payment but shall be unpaid by reason of the Company's Nonpayment (as defined below). The Insurer will make such payments to U.S. Bank Trust National Association, or its successor, as its agent (the "Fiscal Agent"), on the later of the date on which such principal or interest (as applicable) is Due for Payment or on the business day (as defined in the Policy) next following the day on which the Insurer shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a holder of the Series AA Senior

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Notes or the Paying Agent of the Nonpayment of such amount by the Company. The Fiscal Agent will disburse such amount Due for Payment on any Series AA Senior Note to the holder of such Series AA Senior Note or the Paying Agent upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the holder's right to receive payment of the principal or interest Due for Payment and evidence, including any appropriate instruments of assignment, that all of such holder's rights to payment of such principal or interest (as applicable) shall be vested in the Insurer. "Nonpayment" in respect of the Series AA Senior Notes means the failure of the Company to have provided sufficient funds to the Paying Agent for payment in full of all principal or interest Due for Payment and includes any payment of principal or interest (as applicable) made to a holder of a Series AA Senior Note by or on behalf of the Company which has been recovered from such holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Due for Payment" means, when referring to the principal of a Series AA Senior Note, the stated maturity date thereof and does not refer to any earlier date on which payment is due by reason of call for redemption, acceleration or other advancement of maturity and means, when referring to interest on a Series AA Senior Note, the stated date for payment of interest.

The Policy is non-cancellable and the premium will be fully paid at the time of issuance of the Series AA Senior Notes. The Policy covers failure to pay principal of the Series AA Senior Notes on the stated maturity date and not on any other date on which the Series AA Senior Notes may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

### THE INSURER

The Insurer, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, and provides financial guaranty insurance for public finance and structured finance obligations. The Insurer is licensed to engage in financial guaranty insurance in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom.

On December 18, 2003, an investor group consisting of The PMI Group, Inc. ("PMI"), affiliates of The Blackstone Group L.P. ("Blackstone"), affiliates of The Cypress Group L.L.C. ("Cypress") and affiliates of CIVC Partners L.P. ("CIVC") acquired FGIC Corporation (the "FGIC Acquisition") from a subsidiary of

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General Electric Capital Corporation ("GE Capital"). PMI, Blackstone, Cypress and CIVC acquired approximately 42%, 23%, 23% and 7%, respectively, of FGIC Corporation's common stock. FGIC Corporation paid GE Capital approximately \$284.3 million in pre-closing dividends from the proceeds of dividends it, in turn, had received from the Insurer, and GE Capital retained approximately \$234.6 million in liquidation preference of FGIC Corporation's convertible participating preferred stock and approximately 5% of FGIC Corporation's common stock. Neither FGIC Corporation nor any of its shareholders is obligated to pay any debts of the Insurer or any claims under any insurance policy, including the Policy, issued by the Insurer.

The Insurer is subject to the insurance laws and regulations of the State of New York, where the Insurer is domiciled, including Article 69 of the New York Insurance Law ("Article 69"), a comprehensive financial guaranty insurance

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statute. The Insurer is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual financial statements on the basis of statutory accounting principles ("SAP") and other reports. In addition, Article 69, among other things, limits the business of each financial guaranty insurer to financial guaranty insurance and certain related lines.

For the years ended December 31, 2003 and December 31, 2002, the Insurer had written directly, or assumed through reinsurance, guaranties of approximately \$42.4 billion and \$47.9 billion par value of securities, respectively (of which approximately 79% and 81%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately \$260.3 million and \$232.6 million, respectively. For the twelve months ended December 31, 2003, the Insurer had reinsured, through facultative arrangements, approximately 2.0% of the risks it had written.

The following table sets forth the capitalization of the Insurer as of December 31, 2002 and December 31, 2003, respectively, on the basis of generally accepted accounting principles ("GAAP"). The December 31, 2003 balances reflect the establishment of a new basis in the assets and the liabilities of the Insurer resulting from the FGIC Acquisition and the application of purchase accounting. The December 31, 2002 balances are based upon the historical basis of the Insurer's assets and liabilities.

### FINANCIAL GUARANTY INSURANCE COMPANY CAPITALIZATION TABLE (DOLLARS IN MILLIONS)

	DECEMBER 31, 2002	DECEMBER 31, 2003
	-----	-----
Unearned Premiums.....	\$ 684	\$ 919
Other Liabilities.....	255	86
Stockholder's Equity		
Common Stock.....	15	15
Additional Paid-in Capital.....	384	1,858
Accumulated Other Comprehensive Income.....	49	2
Retained Earnings.....	\$1,741	94
	-----	-----
Total Stockholder's Equity.....	\$2,189	1,969
	-----	-----
Total Liabilities and Stockholder's Equity.....	\$3,128	2,974
	=====	=====

The audited financial statements of the Insurer as of December 31, 2002 and 2003 and for each of the years in the three-year period ended December 31, 2003, which are included as Exhibit 99.1 to the Current Report on Form 8-K of the Company dated April 7, 2004 (Commission file number 1-3164) (the "Form 8-K") in connection with the registration statement of which this Prospectus Supplement is a part, are hereby incorporated by reference in this Prospectus Supplement. Any statement contained herein under the

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heading "The Insurer and the Policy" or in such Exhibit 99.1 shall be modified or superseded to the extent required by any statement in any document subsequently incorporated by reference in this Prospectus Supplement with the approval of the Insurer, and shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement.

All financial statements of the Insurer (if any) included in documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act, subsequent to the date of this Prospectus Supplement and prior to the termination of the offering of the Series AA Senior Notes shall be deemed to be incorporated by reference into this Prospectus Supplement and to be a part hereof from the respective dates of filing of such documents.

Copies of the Insurer's GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. The Insurer's telephone number is (212) 312-3000.

Neither the Insurer nor any of its affiliates accepts any responsibility for the accuracy or completeness of, nor have they participated in the preparation of, the Prospectus Supplement, the accompanying Prospectus or any information or disclosure that is provided to potential purchasers of the Series AA Senior Notes, or omitted from such disclosure, other than with respect to the accuracy of information regarding the Insurer and the Policy set forth under the heading "The Insurer and the Policy" and in Appendix A. In addition, the Insurer makes no representation regarding the Series AA Senior Notes or the advisability of investing in the Series AA Senior Notes.

### THE INSURER'S CREDIT RATINGS

The financial strength of the Insurer is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "Aaa" by Moody's Investors Service, Inc. ("Moody's") and "AAA" by Fitch Ratings. Each rating of the Insurer should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of the Insurer. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Series AA Senior Notes, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series AA Senior Notes. The Insurer does not guarantee the market price or investment value of the Series AA Senior Notes nor does it guarantee that the ratings on the Series AA Senior Notes will not be revised or withdrawn.

### RATINGS

It is anticipated that Moody's and S&P will assign the Series AA Senior Notes the ratings of "Aaa" and "AAA," respectively, conditioned upon the issuance and delivery by the Insurer at the time of delivery of the Series AA Senior Notes of the Policy, insuring the timely payment of the principal of and interest on the Series AA Senior Notes. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from such rating agencies at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's, 25 Broadway, New York, New York 10004. There is no assurance that such ratings will remain in effect for any period of time or that they will not be revised downward or withdrawn entirely by said rating agencies if, in their judgment, circumstances warrant. Neither the Company nor any Underwriter has undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the Series AA Senior Notes. Any such downward revision

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or withdrawal of such ratings may have an adverse effect on the market price of the Series AA Senior Notes.

At present, each of such rating agencies maintains four categories of investment grade ratings. They are for S&P -- AAA, AA, A and BBB and for Moody's -- Aaa, Aa, A and Baa. S&P defines "AAA" as the highest rating assigned to a debt obligation. Moody's defines "Aaa" as representing the best quality debt obligation carrying the smallest degree of investment risk.

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### UNDERWRITING

Subject to the terms and conditions of an underwriting agreement (the "Underwriting Agreement"), the Company has agreed to sell to the underwriters named below (the "Underwriters") and each of the Underwriters has severally agreed to purchase from the Company the principal amount of the Series AA Senior Notes set forth opposite its name below:

NAME -----	PRINCIPAL AMOUNT OF SERIES AA SENIOR NOTES -----
Morgan Stanley & Co. Incorporated.....	\$30,000,000
A.G. Edwards & Sons, Inc. ....	30,000,000
Citigroup Global Markets Inc. ....	30,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	30,000,000
ABI Capital Management, LLC.....	7,500,000
Morgan Keegan & Company, Inc. ....	7,500,000
Pershing LLC.....	7,500,000
SunTrust Capital Markets, Inc. ....	7,500,000
	-----
Total.....	\$150,000,000 =====

In the Underwriting Agreement, the Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all of the Series AA Senior Notes offered hereby, if any of the Series AA Senior Notes are purchased.

The Underwriters propose to offer the Series AA Senior Notes directly to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement, and may offer them to certain securities dealers at such price less a concession not in excess \$0.50 per Series AA Senior Note. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$0.45 per Series AA Senior Note to certain brokers and dealers. After the Series AA Senior Notes are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters.

It is expected that delivery of the Series AA Senior Notes will be made, against payment for the Series AA Senior Notes, on or about April 21, 2004, which will be the tenth Business Day following the date of pricing of the Series AA Senior Notes. Under Rule 15c6-1 under the 1934 Act purchases or sales of securities in the secondary market generally are required to settle within three Business Days (T+3), unless the parties to any such transactions expressly agree otherwise. Accordingly, purchasers of the Series AA Senior Notes who wish to trade the Series AA Senior Notes will be required, because the Series AA Senior Notes initially will settle within ten Business Days (T + 10), to specify an

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alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Series AA Senior Notes who wish to trade on the date of this Prospectus Supplement should consult their own legal advisors.

Prior to the offering, there has been no public market for the Series AA Senior Notes. The Company has applied to have the Series AA Senior Notes listed on the New York Stock Exchange, and the Company expects trading in the Series AA Senior Notes on the New York Stock Exchange to begin within 30 days after the original issue date. In order to meet the requirements for listing the Series AA Senior Notes, the Underwriters will undertake to sell lots of 100 or more Series AA Senior Notes to a minimum of 400 beneficial holders.

The Series AA Senior Notes are a new issue of securities with no established trading market, but the Company has been advised by the Underwriters that they intend to make a market in the Series AA Senior Notes. The Underwriters are not obligated, however, to do so and may discontinue their market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Series AA Senior Notes.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "1933 Act").

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The Company's expenses associated with the offer and sale of the Series AA Senior Notes are estimated to be \$3,100,000, which includes the premium for the Policy.

The Company has agreed with the Underwriters, that during the period 15 days from the date of the Underwriting Agreement, it will not sell, offer to sell, grant any option for the sale of, or otherwise dispose of any Series AA Senior Notes, any security convertible into, exchangeable into or exercisable for the Series AA Senior Notes or any debt securities substantially similar to the Series AA Senior Notes (except for the Series AA Senior Notes issued pursuant to the Underwriting Agreement), without the prior written consent of Morgan Stanley & Co. Incorporated. This agreement does not apply to issuances of commercial paper or other debt securities with scheduled maturities of less than one year.

In order to facilitate the offering of the Series AA Senior Notes, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Series AA Senior Notes. Specifically, the Underwriters may over-allot in connection with the offering, creating short positions in the Series AA Senior Notes for their own account. In addition, to cover over-allotments or to stabilize the price of the Series AA Senior Notes, the Underwriters may bid for, and purchase, Series AA Senior Notes in the open market. The Underwriters may reclaim selling concessions allowed to an Underwriter or dealer for distributing Series AA Senior Notes in the offering, if the Underwriters repurchase previously distributed Series AA Senior Notes in transactions to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Series AA Senior Notes above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

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Neither the Company nor the Underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series AA Senior Notes. In addition, neither the Company nor the Underwriters make any representation that the Underwriters will engage in such transactions or that such transactions once commenced will not be discontinued without notice.

Certain of the Underwriters and their affiliates engage in transactions with, and, from time to time, have performed investment banking and/or commercial banking services for, the Company and its affiliates in the ordinary course of business and may do so in the future.

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### EXPERTS

The Company's financial statements and the related financial statement schedule as of and for the years ended December 31, 2003 and 2002 incorporated by reference in this Prospectus Supplement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports (which report on the financial statements expresses an unqualified opinion and includes an explanatory paragraph referring to the Company's change in its method of accounting for asset retirement obligations), which are incorporated in this Prospectus Supplement by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts, in accounting and auditing.

Certain of the Company's financial statements incorporated by reference in this Prospectus Supplement have been audited by Arthur Andersen LLP ("Andersen"), independent public accountants, as indicated in their reports with respect to the financial statements, and are incorporated in this Prospectus Supplement, in reliance upon the authority of Andersen as experts in giving such reports. On March 28, 2002, Southern's Board of Directors, upon recommendation of its Audit Committee, decided not to engage Andersen as the Company's principal public accountants. The Company has not obtained a reissued report from Andersen and has been unable to obtain, after reasonable efforts, Andersen's written consent to incorporate by reference Andersen's reports on the financial statements. Under these circumstances, Rule 437a under the 1933 Act permits this Prospectus Supplement to be filed without a written consent from Andersen. The absence of such written consent from Andersen may limit a holder's ability to assert claims against Andersen under Section 11(a) of the 1933 Act for any untrue statement of a material fact contained in the financial statements audited by Andersen or any omissions to state a material fact required to be stated in the financial statements.

The predecessor basis financial statements of the Insurer as of December 31, 2002 and for each of the years in the two-year period ended December 31, 2002, have been included in the Form 8-K of the Company, which is incorporated by reference in the registration statement to which this Prospectus Supplement relates in reliance upon the report of KPMG LLP, independent certified public accountants, which is also incorporated by reference therein, and upon the authority of said firm as experts in accounting and auditing.

The financial statements of the Insurer as of December 31, 2003 and for the periods from December 18, 2003 through December 31, 2003, and from January 1, 2003 through December 17, 2003 appearing in the Form 8-K of the Company, which is incorporated by reference, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such report given on the authority of such

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firm as experts in accounting and auditing.

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APPENDIX A -- FORM OF POLICY

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EXHIBIT A

[FGIC LOGO]

FINANCIAL GUARANTY INSURANCE COMPANY  
125 Park Avenue  
New York, NY 10017  
T 212-312-3000  
T 800-352-0001

SURETY BOND

-----  
ISSUER:

POLICY NUMBER:

-----  
CONTROL NUMBER: 0010001  
-----

OBLIGATIONS:

PREMIUM:  
-----

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Noteholders, that portion of the principal and interest on the above-described debt obligations (the "Notes") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Noteholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Noteholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Noteholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Note, appurtenant coupon or right to payment of principal or interest on such Note and shall be fully subrogated to all of the Noteholder's rights thereunder, including the Noteholder's right to payment thereof.

This Surety Bond is non-cancellable for any reason. The premium on this Surety Bond is not refundable for any reason, including the payment of the Notes prior to their stated maturity. This Surety Bond does not insure against loss of any prepayment premium which may at any time be payable with respect to any Note.



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As used herein, the term "Noteholder" means, as to a particular Note, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Note to payment thereof. "Due for Payment" means, when referring to the principal of a Note, the stated maturity date thereof and does not refer to any earlier date on which payment is due by reason of call for redemption, acceleration or other advancement of maturity and means, when referring to interest on a Note, the stated date for payment of interest. "Nonpayment" in respect of a Note means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Note. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Noteholder or a paying agent for the Notes to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

[FGIC LOGO]

FINANCIAL GUARANTY INSURANCE COMPANY  
125 Park Avenue  
New York, NY 10017  
T 212-312-3000  
T 800-352-0001

SURETY BOND

It is further understood that the term "Nonpayment" in respect of a Note includes any payment of principal or interest made to a Noteholder by or on behalf of the issuer of such Note which has been recovered from such Noteholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction

In Witness Whereof, Financial Guaranty has caused this Surety Bond to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

/s/ [illegible]

PRESIDENT

EFFECTIVE DATE:

AUTHORIZED REPRESENTATIVE

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

/s/ [illegible]

AUTHORIZED OFFICER

(ALABAMA POWER LOGO)