Columbia Gas of Pennsylvania, Inc.
2012 General Rate Case
Docket No. R-2012-2321748
Standard Filing Requirements
Exhibits 404-414
Volume 8 of 9

2-13-13
Hbg

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

4. Provide latest Prospectus (Company and Parent).

Response: Columbia Gas of Pennsylvania, Inc. - Not applicable.

See the NiSource Prospectus dated November 5, 2010 in Attachment A related to Common Stock, Preferred Stock, Guarantees of Debt Securities, Warrants, Stock Purchase Contracts and Stock Purchase Units for NiSource Finance Corp.

Supplements were issued on

- December 2010 for a $250M, 6.25% note
- June 2011 for a $400M, 5.95% note
- November 2011 for a $250M, 4.45% note and a $250M, 5.80% note
- June 2012 for a $250M, 3.85% note and a $500M, 5.25% note

NISOURCE INC/DE

FORM S-3ASR

(Automatic shelf registration statement of securities of well-known seasoned issuers)

Filed 11/05/10

Address	801 EAST 86TH AVE
	MERRILLVILLE, IN 46410-6272
Telephone	2196475200
CIK	0001111711
Symbol	NI
Fiscal Year	12/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NiSource Inc.	NiSource Finance Corp.
(Exact name of registrant as specified in its charter)	*(Exact name of registrant as specified in its charter)*
Delaware	**Indiana**
(State or other jurisdiction of incorporation or organization)	*(State or other jurisdiction of incorporation or organization)*
35-2108964	**35-2105468**
(IRS Employer Identification Number)	*(IRS Employer Identification Number)*

801 East 86th Avenue
Merrillville, Indiana 46410
(877) 647-5990
(Address, including zip code, and telephone number, including area code, of registrants' principal executive offices)

David J. Vajda
NiSource Inc.
801 East 86th Avenue
Merrillville, Indiana 46410
(877) 647-5990
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copy to:

Robert J. Minkus, Esq.
Schiff Hardin LLP
233 South Wacker Drive, Suite 6600
Chicago, Illinois 60606
(312) 258-5500

Approximate date of commencement of proposed sale to the public: From time to time after the Registration Statement becomes effective, as determined by market conditions and other factors.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☑

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ☑

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered/ Proposed Maximum Offering Price per Unit/ Amount of Registration Fee
Common stock, par value $0.01 per share, of NiSource Inc.	(1)
Preferred stock of NiSource Inc.	(1)
Debt Securities of NiSource Finance Corp.	(1)
Guarantees of NiSource Inc. with respect to Debt Securities	(1)
Warrants of NiSource Inc. and NiSource Finance Corp.	(1)

Stock Purchase Contracts of NiSource Inc.	(1)
Stock Purchase Units of NiSource Inc.	(1)
Total	(1)

(1) We are registering a presently indeterminate number or principal amount of (a) shares of common stock, shares of preferred stock, guarantees of debt securities, warrants, stock purchase contracts and stock purchase units which may be sold from time to time by NiSource Inc. and (b) debt securities and warrants to purchase debt securities which may be sold from time to time by NiSource Finance Corp. Pursuant to General Instruction II.E of Form S-3, and in accordance with Rules 456(b) and 457(r), the registrants are deferring payment of all of the registration fee.

NiSource Inc.

Common Stock
Preferred Stock
Guarantees of Debt Securities
Warrants
Stock Purchase Contracts
Stock Purchase Units

NiSource Finance Corp.

Debt Securities
Guaranteed as Set Forth in this Prospectus by NiSource Inc.
Warrants

NiSource Inc. may offer, from time to time, in amounts, at prices and on terms that it will determine at the time of offering, any or all of the following:

- shares of common stock;
- shares of preferred stock, in one or more series;
- warrants to purchase common stock or preferred stock; and
- stock purchase contracts to purchase common stock, either separately or in units with the debt securities described below or U.S. Treasury securities.

NiSource Finance Corp., a wholly owned subsidiary of NiSource, may offer from time to time in amounts, at prices and on terms to be determined at the time of the offering:

- one or more series of its debt securities; and
- warrants to purchase debt securities.

NiSource will fully and unconditionally guarantee the obligations of NiSource Finance under any debt securities issued under this prospectus or any prospectus supplement.

We will provide specific terms of these securities, including their offering prices, in prospectus supplements to this prospectus. The prospectus supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any prospectus supplement carefully before you invest.

We may offer these securities to or through underwriters, through dealers or agents, directly to you or through a combination of these methods. You can find additional information about our plan of distribution for the securities under the heading "Plan of Distribution" beginning on page 18 of this prospectus. We will also describe the plan of distribution for any particular offering of these securities in the applicable prospectus supplement. This prospectus may not be used to sell our securities unless it is accompanied by a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 5, 2010.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission, or SEC, utilizing a "shelf" registration or continuous offering process. Under this process, we may from time to time sell any combination of the securities described in this prospectus in one or more offerings.

This prospectus provides you with a general description of the common stock, preferred stock, debt securities, guarantees of debt securities, warrants, stock purchase contracts and stock purchase units we may offer. Each time we offer securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. That prospectus supplement may include a description of any risk factors or other special considerations applicable to those securities. The prospectus supplement may also add, update or change information contained in this prospectus. If there is any inconsistency between the information in the prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and the applicable prospectus supplement together with the additional information described under the heading "Where You Can Find More Information."

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, can be read at the SEC website or at the SEC's public reference room offices mentioned under the heading "Where You Can Find More Information."

You should rely only on the information incorporated by reference or provided in this prospectus and the accompanying prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer to sell or soliciting an offer to buy these securities in any jurisdiction in which the offer or solicitation is not authorized or in which the person making the offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make the offer or solicitation. You should not assume that the information in this prospectus or the accompanying prospectus supplement is accurate as of any date other than the date on the front of the document.

References to "NiSource" refer to NiSource Inc., and references to "NiSource Finance" refer to NiSource Finance Corp. Unless the context requires otherwise, references to "we," "us" or "our" refer collectively to NiSource and its subsidiaries, including NiSource Finance. References to "securities" refer collectively to the common stock, preferred stock, debt securities, guarantees of debt securities, warrants, stock purchase contracts and stock purchase units registered hereunder.

WHERE YOU CAN FIND MORE INFORMATION

NiSource files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document NiSource files at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain additional information about the public reference room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a site on the internet (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC, including NiSource.

The SEC allows us to "incorporate by reference" information into this prospectus. This means that we can disclose important information to you by referring you to another document that NiSource has filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus. Information that NiSource files with the SEC after the date of this prospectus will automatically modify and supersede the information included or incorporated by reference in this prospectus to the extent that the subsequently filed information modifies or supersedes the existing information. We incorporate by reference the following documents filed with the SEC:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2009;
- our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2010, June 30, 2010 and September 30, 2010;

- our Current Reports on Form 8-K dated January 28, 2010, February 19, 2010, February 26, 2010, May 14, 2010, August 26, 2010 and September 14, 2010; and
- any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until we sell all of the securities.

You may request a copy of any of these filings at no cost by writing to or telephoning us at the following address and telephone number: Gary W. Pottorff, NiSource Inc., 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877) 647-5990.

We maintain an internet site at http://www.nisource.com which contains information concerning NiSource and its subsidiaries. The information contained at our internet site is not incorporated by reference in this prospectus, and you should not consider it a part of this prospectus.

We have filed this prospectus with the SEC as part of a registration statement on Form S-3 under the Securities Act of 1933. This prospectus does not contain all of the information included in the registration statement. Any statement made in this prospectus concerning the contents of any contract, agreement or other document is only a summary of the actual document. If we have filed any contract, agreement or other document as an exhibit to the registration statement, you should read the exhibit for a more complete understanding of the document or matter involved. Each statement regarding a contract, agreement or other document is qualified in its entirety by reference to the actual document.

RISK FACTORS

Investing in the securities involves risk. You should read carefully the "Risk Factors" and "Information Regarding Forward-Looking Statements" sections in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and in NiSource's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010 and September 30, 2010, which are incorporated by reference in this 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. The prospectus supplement applicable to each type or series of securities we offer may contain a discussion of additional risks applicable to an investment in us and the particular type of securities we are offering under that prospectus supplement.

FORWARD-LOOKING STATEMENTS

Some of the information included in this prospectus, in any prospectus supplement and in the documents incorporated by reference are "forward-looking statements" within the meaning of the securities laws. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource's plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Realization of NiSource's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, weather, fluctuations in supply and demand for energy commodities, growth opportunities for NiSource's businesses, increased competition in deregulated energy markets, the success of regulatory and commercial initiatives, dealings with third parties over whom NiSource has no control, actual operating experience of NiSource's assets, the regulatory process, regulatory and legislative changes, the impact of potential new environmental laws or regulations, the results of material litigation, changes in pension funding requirements, changes in general economic, capital and commodity market conditions, counterparty credit risk, and

the matters set forth in the "Risk Factors" sections of NiSource's 2009 Form 10-K and 2010 Forms 10-Q, many of which risks are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time.

Accordingly, you should not rely on the accuracy of predictions contained in forward-looking statements. These statements speak only as of the date of this prospectus, the date of the accompanying prospectus supplement or, in the case of documents incorporated by reference, the date of those documents.

NISOURCE INC.

Overview. NiSource is an energy holding company whose subsidiaries provide natural gas, electricity and other products and services to approximately 3.8 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England. Our principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated natural gas and electric company providing service to customers in northern Indiana; and Columbia Gas of Massachusetts (formerly known as Bay State Gas Company), a natural gas distribution company serving customers in Massachusetts. NiSource derives substantially all its revenues and earnings from the operating results of its subsidiaries. Our primary business segments are:

- gas distribution operations;
- gas transmission and storage operations; and
- electric operations.

Strategy. We have established four key initiatives to build a platform for long-term, sustainable growth: commercial and regulatory initiatives; commercial growth and expansion of the gas transmission and storage business; financial management of the balance sheet; and process and expense management.

Gas Distribution Operations. Our natural gas distribution operations serve more than 3.3 million customers in seven states and operate approximately 58 thousand miles of pipeline. Through our wholly-owned subsidiary, Columbia Energy Group, we own five distribution subsidiaries that provide natural gas to approximately 2.2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. We also distribute natural gas to approximately 792 thousand customers in northern Indiana through three subsidiaries: Northern Indiana Public Service Company, Kokomo Gas and Fuel Company and Northern Indiana Fuel and Light Company, Inc. Additionally, our subsidiary Columbia Gas of Massachusetts distributes natural gas to approximately 294 thousand customers in Massachusetts.

Gas Transmission and Storage. Our gas transmission and storage subsidiaries own and operate approximately 16 thousand miles of interstate pipelines and operate one of the nation's largest underground natural gas storage systems, capable of storing approximately 639 billion cubic feet of natural gas. Through our subsidiaries Columbia Gas Transmission LLC, Columbia Gulf Transmission Company and Crossroads Pipeline Company, we own and operate an interstate pipeline network extending from the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, these companies serve customers in 16 Northeastern, Mid-Atlantic, Midwestern and Southern states and the District of Columbia.

Electric Operations. Through our subsidiary Northern Indiana Public Service Company, we generate, transmit and distribute electricity to approximately 457 thousand customers in 20 counties in the northern part of Indiana and engage in wholesale and transmission transactions. Northern Indiana Public Service Company owns four and operates three coal-fired electric generating stations. The three operating facilities have a net capability of 2,574 megawatts. Northern Indiana Public Service Company also operates Sugar Creek, a combined cycle gas turbine plant with a 535 megawatt capability rating, four gas-fired generating units located at Northern Indiana's coal fired electric generating stations with a net capability of 203 megawatts and two hydroelectric generating plants with a net capability of 10 megawatts. These facilities provide for a total system operating net capability of 3,322 megawatts. Northern Indiana Public Service Company's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,792 circuit miles. Northern Indiana Public Service Company is interconnected with five

neighboring electric utilities. During the year ended December 31, 2009, Northern Indiana Public Service Company generated 85.2% and purchased 14.8% of its electric requirements.

Our executive offices are located at 801 East 86th Avenue, Merrillville, Indiana 46410, telephone: (877) 647-5990.

NISOURCE FINANCE CORP.

NiSource Finance is a wholly-owned special purpose finance subsidiary of NiSource that engages in financing activities to raise funds for the business operations of NiSource and its subsidiaries. NiSource Finance's obligations under the debt securities will be fully and unconditionally guaranteed by NiSource. NiSource Finance was incorporated in March 2000 under the laws of the State of Indiana.

USE OF PROCEEDS

Unless otherwise described in the applicable prospectus supplement, we will use the net proceeds from the sale of securities offered by this prospectus and any applicable prospectus supplement for general corporate purposes, including additions to working capital and repayment of existing indebtedness.

RATIOS OF EARNINGS TO FIXED CHARGES

The following are ratios of our earnings to fixed charges for each of the periods indicated:

Nine Months Ended September 30, 2010	Fiscal Year Ended December 31				
	2009	2008	2007	2006	2005
2.21	1.91	2.31	2.14	2.30	1.95

For purposes of calculating the ratio of earnings to fixed charges, "earnings" consist of income from continuing operations before income taxes plus fixed charges. "Fixed charges" consist of interest on all indebtedness, amortization of debt expense, the portion of rental expenses on operating leases deemed to be representative of the interest factor and preferred stock dividend requirements of consolidated subsidiaries.

DESCRIPTION OF CAPITAL STOCK

General

The authorized capital stock of NiSource consists of 420,000,000 shares, $0.01 par value, of which 400,000,000 are common stock and 20,000,000 are preferred stock. The board of directors has designated 4,000,000 shares of the preferred stock as Series A Junior Participating Preferred Shares. These shares were reserved for issuance upon the exercise of rights under NiSource's Shareholder Rights Plan. As of November 29, 2006, no rights may be exercised under NiSource's Shareholder Rights Plan.

Anti-Takeover Provisions

The certificate of incorporation of NiSource includes provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of management of NiSource. Members of NiSource's board of directors may be removed only for cause by the affirmative vote of 80% of the combined voting power of all of the then-outstanding shares of stock of NiSource voting together as a single class. Unless the board of directors determines otherwise or except as otherwise required by law, vacancies on the board or newly-created directorships may be filled only by the affirmative vote of directors then in office, even though less than a quorum. If the board of directors or applicable Delaware law confers power on the stockholders of NiSource to fill such a vacancy or newly-created directorship, it may be filled only by the affirmative vote of 80% of the combined voting power of the outstanding shares of stock of NiSource entitled to vote. Stockholders may not cumulate their votes, and stockholder action may be taken only at a duly called meeting and not by written consent. In addition, NiSource's bylaws contain requirements for advance notice of stockholder proposals and director nominations. These and other

provisions of the certificate of incorporation and bylaws and Delaware law could discourage potential acquisition proposals and could delay or prevent a change in control of management of NiSource.

NiSource is subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. Section 203 prevents certain Delaware corporations, including those whose securities are listed on a national securities exchange, such as the New York Stock Exchange, from engaging, under certain circumstances, in a "business combination," which includes a merger or sale of more than 10% of the corporation's assets, with any interested stockholder for three years following the date that the stockholder became an interested stockholder. An interested stockholder is a stockholder who acquired 15% or more of the corporation's outstanding voting stock without the prior approval of the corporation's board of directors.

The following summaries of provisions of our common stock and preferred stock are not necessarily complete. You are urged to read carefully NiSource's certificate of incorporation and bylaws which are incorporated by reference as exhibits to the registration statement of which this prospectus is a part.

Common Stock

NiSource common stock is listed on the New York Stock Exchange under the symbol "NI." Common stockholders may receive dividends if and when declared by the board of directors. Dividends may be paid in cash, stock or other form. In certain cases, common stockholders may not receive dividends until obligations to any preferred stockholders have been satisfied. All common stock will be fully paid and non-assessable. Each share of common stock is entitled to one vote in the election of directors and other matters. Common stockholders are not entitled to preemptive rights or cumulative voting rights. Common stockholders will be notified of any stockholders' meeting according to applicable law. If NiSource liquidates, dissolves or winds-up its business, either voluntarily or involuntarily, common stockholders will share equally in the assets remaining after creditors and preferred stockholders are paid.

Preferred Stock

The board of directors can, without approval of stockholders, issue one or more series of preferred stock. The board can also determine the number of shares of each series and the rights, preferences and limitations of each series, including any dividend rights, voting rights, conversion rights, redemption rights and liquidation preferences, the number of shares constituting each series and the terms and conditions of issue. In some cases, the issuance of preferred stock could delay a change in control of NiSource and make it harder to remove incumbent management. Under certain circumstances, preferred stock could also restrict dividend payments to holders of common stock. All preferred stock will be fully paid and non-assessable.

The terms of the preferred stock that NiSource may offer will be established by or pursuant to a resolution of the board of directors of NiSource and will be issued under certificates of designations or through amendments to NiSource's certificate of incorporation. If NiSource uses this prospectus to offer preferred stock, an accompanying prospectus supplement will describe the specific terms of the preferred stock. NiSource will also indicate in the supplement whether the general terms and provisions described in this prospectus apply to the preferred stock that NiSource may offer.

The following terms of the preferred stock, as applicable, will be set forth in a prospectus supplement relating to the preferred stock:

- the title and stated value;
- the number of shares NiSource is offering;
- the liquidation preference per share;
- the purchase price;
- the dividend rate, period and payment date, and method of calculation of dividends;
- whether dividends will be cumulative or non-cumulative and, if cumulative, the date from which dividends will accumulate;

- the procedures for any auction and remarketing, if any;
- the provisions for a sinking fund, if any;
- the provisions for redemption or repurchase, if applicable, and any restrictions on NiSource's ability to exercise those redemption and repurchase rights;
- any listing of the preferred stock on any securities exchange or market;
- voting rights, if any;
- preemptive rights, if any;
- restrictions on transfer, sale or other assignment, if any;
- whether interests in the preferred stock will be represented by depositary shares;
- a discussion of any material or special United States federal income tax considerations applicable to the preferred stock;
- the relative ranking and preferences of the preferred stock as to dividend or liquidation rights;
- any limitations on issuance of any class or series of preferred stock ranking senior to or on a parity with the series of preferred stock as to dividend or liquidation rights; and
- any other material specific terms, preferences, rights or limitations of, or restrictions on, the preferred stock.

The terms, if any, on which the preferred stock may be exchanged for or converted into shares of common stock or any other security and, if applicable, the conversion or exchange price, or how it will be calculated, and the conversion or exchange period will be set forth in the applicable prospectus supplement.

The preferred stock or any series of preferred stock may be represented, in whole or in part, by one or more global certificates, which will have an aggregate liquidation preference equal to that of the preferred stock represented by the global certificate.

Each global certificate will:

- be registered in the name of a depositary or a nominee of the depositary identified in the prospectus supplement;
- be deposited with such depositary or nominee or a custodian for the depositary; and
- bear a legend regarding the restrictions on exchanges and registration of transfer and any other matters as may be provided for under the certificate of designations.

DESCRIPTION OF THE DEBT SECURITIES

NiSource Finance may issue the debt securities, in one or more series, from time to time under an Indenture, dated as of November 14, 2000, among NiSource Finance, NiSource, as guarantor, and The Bank of New York Mellon (as successor in interest to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank), as trustee. The Bank of New York Mellon, as trustee under the Indenture, will act as indenture trustee for the purposes of the Trust Indenture Act. We have incorporated by reference the Indenture as an exhibit to the registration statement of which this prospectus is a part.

This section briefly summarizes some of the terms of the debt securities and the Indenture. This section does not contain a complete description of the debt securities or the Indenture. The description of the debt securities is qualified in its entirety by the provisions of the Indenture. References to section numbers in this description of the debt securities, unless otherwise indicated, are references to section numbers of the Indenture.

General

The Indenture does not limit the amount of debt securities that may be issued. The Indenture provides for the issuance of debt securities from time to time in one or more series. The terms of each series of debt securities may be established in a supplemental indenture or in resolutions of NiSource Finance's board of directors or a committee of the board.

The debt securities:

- are direct senior unsecured obligations of NiSource Finance;
- are equal in right of payment to any other senior unsecured obligations of NiSource Finance; and
- are guaranteed on a senior unsecured basis by NiSource.

NiSource Finance is a special purpose financing subsidiary formed solely as a financing vehicle for NiSource and its subsidiaries. Therefore, the ability of NiSource Finance to pay its obligations under the debt securities is dependent upon the receipt by it of payments from NiSource. If NiSource were not to make such payments for any reason, the holders of the debt securities would have to rely on the enforcement of NiSource's guarantee described below.

If NiSource Finance uses this prospectus to offer debt securities, an accompanying prospectus supplement will describe the following terms of the debt securities being offered, to the extent applicable:

- the title;
- any limit on the aggregate principal amount;
- the date or dates on which NiSource Finance will pay principal;
- the right, if any, to extend the date or dates on which NiSource Finance will pay principal;
- the interest rates or the method of determining them and the date interest begins to accrue;
- the interest payment dates and the regular record dates for any interest payment dates;
- the right, if any, to extend the interest payment periods and the duration of any extension;
- the place or places where NiSource Finance will pay principal and interest;
- the terms and conditions of any optional redemption, including the date after which, and the price or prices at which, NiSource Finance may redeem securities;
- the terms and conditions of any optional purchase or repayment, including the date after which, and the price or prices at which, holders may require NiSource Finance to purchase, or a third party may require holders to sell, securities;
- the terms and conditions of any mandatory or optional sinking fund redemption, including the date after which, and the price or prices at which, NiSource Finance may redeem securities;
- whether bearer securities will be issued;
- the denominations in which NiSource Finance will issue securities;
- the currency or currencies in which NiSource Finance will pay principal and interest;
- any index or indices used to determine the amount of payments;
- the portion of principal payable on declaration of acceleration of maturity;
- any additional events of default or covenants of NiSource Finance or NiSource applicable to the debt securities;

- whether NiSource Finance will pay additional amounts in respect of taxes and similar charges on debt securities held by a United States alien and whether NiSource Finance may redeem those debt securities rather than pay additional amounts;
- whether NiSource Finance will issue the debt securities in whole or in part in global form and, in such case, the depositary for such global securities and the circumstances under which beneficial owners of interests in the global security may exchange such interest for securities;
- the date or dates after which holders may convert the securities into shares of NiSource common stock or preferred stock and the terms for that conversion; and
- any other terms of the securities.

The Indenture does not give holders of debt securities protection in the event of a highly leveraged transaction or other transaction involving NiSource Finance or NiSource. The Indenture also does not limit the ability of NiSource Finance or NiSource to incur indebtedness or to declare or pay dividends on its capital stock.

Guarantee of NiSource

NiSource will fully and unconditionally guarantee to each holder of debt securities and to the indenture trustee and its successors all the obligations of NiSource Finance under the debt securities, including the due and punctual payment of the principal of, and premium, if any, and interest, if any, on the debt securities. The guarantee applies whether the payment is due at maturity, on an interest payment date or as a result of acceleration, redemption or otherwise. The guarantee includes payment of interest on the overdue principal of and interest, if any, on the debt securities (if lawful) and all other obligations of NiSource Finance under the Indenture. The guarantee will remain valid even if the Indenture is found to be invalid. NiSource is obligated under the guarantee to pay any guaranteed amount immediately after NiSource Finance's failure to do so.

NiSource is a holding company with no independent business operations or source of income of its own. It conducts substantially all of its operations through its subsidiaries and, as a result, NiSource depends on the earnings and cash flow of, and dividends or distributions from, its subsidiaries to provide the funds necessary to meet its debt and contractual obligations. A substantial portion of NiSource's consolidated assets, earnings and cash flow is derived from the operation of its regulated utility subsidiaries, whose legal authority to pay dividends or make other distributions to NiSource is subject to regulatory restrictions. Such regulatory restrictions include a requirement imposed in the August 25, 2010 order of the Indiana Utility Regulatory Commission issued in the electric rate case filed by Northern Indiana Public Service Company. This order provides that, before Northern Indiana Public Service Company may declare or pay any dividend, it must file a report with the IURC detailing the proposed dividend and certain financial information. If within 20 calendar days the IURC does not initiate a proceeding to further explore the implications of the proposed dividend, it will be deemed approved. In addition, Northern Indiana Public Service Company's debt indenture provides that Northern Indiana Public Service Company will not declare or pay any dividends on its common stock owned by NiSource except out of earned surplus or net profits.

NiSource's holding company status also means that its right to participate in any distribution of the assets of any of its subsidiaries upon liquidation, reorganization or otherwise is subject to the prior claims of the creditors of each of the subsidiaries (except to the extent that the claims of NiSource itself as a creditor of a subsidiary may be recognized). Since this is true for NiSource, it is also true for the creditors of NiSource (including the holders of the debt securities).

Conversion Rights

The terms, if any, on which a series of debt securities may be exchanged for or converted into shares of common stock or preferred stock of NiSource will be set forth in the applicable prospectus supplement.

Denomination, Registration and Transfer

NiSource Finance may issue the debt securities as registered securities in certificated form or as global securities as described under the heading "Book-Entry Issuance." Unless otherwise specified in the applicable

prospectus supplement, NiSource Finance will issue registered debt securities in denominations of $1,000 or integral multiples of $1,000. (See Section 302.)

If NiSource Finance issues the debt securities as registered securities, NiSource Finance will keep at one of its offices or agencies a register in which it will provide for the registration and transfer of the debt securities. NiSource Finance will appoint that office or agency the security registrar for the purpose of registering and transferring the debt securities.

The holder of any registered debt security may exchange the debt security for registered debt securities of the same series having the same stated maturity date and original issue date, in any authorized denominations, in like tenor and in the same aggregate principal amount. The holder may exchange those debt securities by surrendering them in a place of payment maintained for this purpose at the office or agency NiSource Finance has appointed securities registrar. Holders may present the debt securities for exchange or registration of transfer, duly endorsed or accompanied by a duly executed written instrument of transfer satisfactory to NiSource Finance and the securities registrar. No service charge will apply to any exchange or registration of transfer, but NiSource Finance may require payment of any taxes and other governmental charges as described in the Indenture. (See Section 305.)

If debt securities of any series are redeemed, NiSource Finance will not be required to issue, register transfer of or exchange any debt securities of that series during the 15 business day period immediately preceding the day the relevant notice of redemption is given. That notice will identify the serial numbers of the debt securities being redeemed. After notice is given, NiSource Finance will not be required to issue, register the transfer of or exchange any debt securities that have been selected to be either partially or fully redeemed, except the unredeemed portion of any debt security being partially redeemed. (See Section 305.)

Payment and Paying Agents

Unless otherwise indicated in the applicable prospectus supplement, on each interest payment date, NiSource Finance will pay interest on each debt security to the person in whose name that debt security is registered as of the close of business on the record date relating to that interest payment date. If NiSource Finance defaults in the payment of interest on any debt security, it may pay that defaulted interest to the registered owner of that debt security:

- as of the close of business on a date that the indenture trustee selects, which may not be more than 15 days or less than 10 days before the date NiSource Finance proposes to pay the defaulted interest, or
- in any other lawful manner that does not violate the requirements of any securities exchange on which that debt security is listed and that the indenture trustee believes is acceptable.

(See Section 307.)

Unless otherwise indicated in the applicable prospectus supplement, NiSource Finance will pay the principal of and any premium or interest on the debt securities when they are presented at the office of the indenture trustee, as paying agent. NiSource Finance may change the place of payment of the debt securities, appoint one or more additional paying agents, and remove any paying agent.

Redemption

The applicable prospectus supplement will contain the specific terms on which NiSource Finance may redeem a series of debt securities prior to its stated maturity. NiSource Finance will send a notice of redemption to holders at least 30 days but not more than 60 days prior to the redemption date. The notice will state:

- the redemption date;
- the redemption price;
- if less than all of the debt securities of the series are being redeemed, the particular debt securities to be redeemed (and the principal amounts, in the case of a partial redemption);

- that on the redemption date, the redemption price will become due and payable and any applicable interest will cease to accrue on and after that date;
- the place or places of payment; and
- whether the redemption is for a sinking fund.

(See Section 1104.)

On or before any redemption date, NiSource Finance will deposit an amount of money with the indenture trustee or with a paying agent sufficient to pay the redemption price. (See Section 1105.)

If NiSource Finance is redeeming less than all the debt securities, the indenture trustee will select the debt securities to be redeemed using a method it considers fair and appropriate. After the redemption date, holders of redeemed debt securities will have no rights with respect to the debt securities except the right to receive the redemption price and any unpaid interest to the redemption date. (See Section 1103.)

Consolidation, Merger, Conveyance, Transfer or Lease

Neither NiSource Finance nor NiSource shall consolidate or merge with any other corporation or convey, transfer or lease substantially all of its assets or properties to any entity unless:

- that corporation or entity is organized under the laws of the United States or any state thereof;
- that corporation or entity assumes NiSource Finance's or NiSource's obligations, as applicable, under the Indenture;
- after giving effect to the transaction, NiSource Finance and NiSource are not in default under the Indenture; and
- NiSource Finance or NiSource, as applicable, delivers to the indenture trustee an officer's certificate and an opinion of counsel to the effect that the transaction complies with the Indenture.

(See Section 801.)

Limitation on Liens

As long as any debt securities remain outstanding, neither NiSource Finance, NiSource nor any subsidiary of NiSource other than a utility may issue, assume or guarantee any debt secured by any mortgage, security interest, pledge, lien or other encumbrance on any property owned by NiSource Finance, NiSource or that subsidiary, except intercompany indebtedness, without also securing the debt securities equally and ratably with (or prior to) the new debt, unless the total amount of all of the secured debt would not exceed 10% of the consolidated net tangible assets of NiSource and its subsidiaries (other than utilities).

In addition, the lien limitations do not apply to NiSource Finance's, NiSource's and any subsidiary's ability to do the following:

- create mortgages on any property and on certain improvements and accessions on such property acquired, constructed or improved after the date of the Indenture;
- assume existing mortgages on any property or indebtedness of an entity which is merged with or into, or consolidated with NiSource Finance, NiSource or any subsidiary;
- assume existing mortgages on any property or indebtedness of an entity existing at the time it becomes a subsidiary;
- create mortgages to secure debt of a subsidiary to NiSource or to another subsidiary;
- create mortgages in favor of governmental entities to secure payment under a contract or statute or mortgages to secure the financing of constructing or improving property, including mortgages for pollution control or industrial revenue bonds;

- create mortgages to secure debt of NiSource or its subsidiaries maturing within 12 months and created in the ordinary course of business;
- create mortgages to secure the cost of exploration, drilling or development of natural gas, oil or other mineral property;
- to continue mortgages existing on the date of the Indenture; and
- create mortgages to extend, renew or replace indebtedness secured by any mortgage referred to above provided that the principal amount of indebtedness and the property securing the indebtedness shall not exceed the amount secured by the mortgage being extended, renewed or replaced.

(See Section 1008.)

Events of Default

The Indenture provides, with respect to any outstanding series of debt securities, that any of the following events constitutes an "Event of Default":

- NiSource Finance defaults in the payment of any interest upon any debt security of that series that becomes due and payable and the default continues for 60 days;
- NiSource Finance defaults in the payment of principal of or any premium on any debt security of that series when due at its maturity, on redemption, by declaration or otherwise and the default continues for three business days;
- NiSource Finance defaults in the deposit of any sinking fund payment when due and the default continues for three business days;
- NiSource Finance or NiSource defaults in the performance of or breaches any covenant or warranty in the Indenture for 90 days after written notice to NiSource Finance and NiSource from the indenture trustee or to NiSource Finance, NiSource and the indenture trustee from the holders of at least 33% of the outstanding debt securities of that series;
- NiSource Finance or NiSource Capital Markets, Inc., a subsidiary of NiSource, defaults under any bond, debenture, note or other evidence of indebtedness for money borrowed by NiSource Finance or NiSource Capital Markets, or NiSource Finance or NiSource Capital Markets defaults under any mortgage, indenture or instrument under which there may be issued, secured or evidenced indebtedness constituting a failure to pay in excess of $50,000,000 of the principal or interest when due and payable, and in the event such debt has become due as the result of an acceleration, such acceleration is not rescinded or annulled or such debt is not paid within 60 days after written notice to NiSource Finance and NiSource from the indenture trustee or to NiSource Finance, NiSource and the indenture trustee from the holders of at least 33% of the outstanding debt securities of that series;
- the NiSource guarantee ceases to be in full force and effect in any material respect or is disaffirmed or denied (other than according to its terms), or is found to be unenforceable or invalid; or
- certain events of bankruptcy, insolvency or reorganization of NiSource Finance, NiSource Capital Markets or NiSource.

(See Section 501.)

If an Event of Default occurs with respect to debt securities of a particular series, the indenture trustee or the holders of 33% in principal amount of the outstanding debt securities of that series may declare the debt securities of that series due and payable immediately. (See Section 502.)

The holders of a majority in principal amount of the outstanding debt securities of a particular series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee under the Indenture, or exercising any trust or power conferred on the indenture trustee with respect to the debt securities of that series. The indenture trustee may refuse to follow directions that are in conflict

with law or the Indenture, that expose the indenture trustee to personal liability or that are unduly prejudicial to other holders. The indenture trustee may take any other action it deems proper that is not inconsistent with those directions. (See Section 512.)

The holders of a majority in principal amount of the outstanding debt securities of any series may waive any past default under the Indenture and its consequences, except a default:

- in respect of a payment of principal of, or premium, if any, or interest on any debt security; or
- in respect of a covenant or provision that cannot be modified or amended without the consent of the holder of each affected debt security.

(See Section 513.)

At any time after the holders of the debt securities of a series declare that the debt securities of that series are due and immediately payable, a majority in principal amount of the outstanding holders of debt securities of that series may rescind and cancel the declaration and its consequences: (1) before the indenture trustee has obtained a judgment or decree for money, (2) if all defaults (other than the non-payment of principal which has become due solely by reason of the declaration) have been waived or cured, and (3) NiSource or NiSource Finance has paid or deposited with the indenture trustee an amount sufficient to pay:

- all overdue interest on the debt securities of that series;
- the principal of, and premium, if any, or interest on any debt securities of that series which are due other than by reason of the declaration;
- interest on overdue interest (if lawful); and
- sums paid or advanced by and amounts due to the indenture trustee under the Indenture.

(See Section 502.)

Modification of Indenture

NiSource Finance, NiSource and the indenture trustee may modify or amend the Indenture, without the consent of the holders of any debt securities, for any of the following purposes:

- to evidence the succession of another person as obligor under the Indenture;
- to add to NiSource Finance's or NiSource's covenants or to surrender any right or power conferred on NiSource Finance or NiSource under the Indenture;
- to add events of default;
- to add or change any provisions of the Indenture to provide that bearer securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal or premium on registered securities or of principal or premium or any interest on bearer securities, to permit registered securities to be exchanged for bearer securities or to permit the issuance of securities in uncertificated form (so long as the modification or amendment does not materially adversely affect the interest of the holders of debt securities of any series);
- to change or eliminate any provisions of the Indenture (so long as there are no outstanding debt securities entitled to the benefit of the provision);
- to secure the debt securities;
- to establish the form or terms of debt securities of any series;
- to evidence or provide for the acceptance or appointment by a successor indenture trustee or facilitate the administration of the trusts under the Indenture by more than one indenture trustee;
- to cure any ambiguity, defect or inconsistency in the Indenture (so long as the cure or modification does not materially adversely affect the interest of the holders of debt securities of any series);

- to effect assumption by NiSource or one of its subsidiaries of NiSource Finance's obligations under the Indenture; or
- to conform the Indenture to any amendment of the Trust Indenture Act.

(See Section 901.)

The Indenture provides that we and the indenture trustee may amend the Indenture or the debt securities with the consent of the holders of a majority in principal amount of the then outstanding debt securities of each series affected by the amendment voting as one class. However, without the consent of each holder of any outstanding debt securities affected, an amendment or modification may not, among other things:

- change the stated maturity of the principal or interest on any debt security;
- reduce the principal amount of, rate of interest on, or premium payable upon the redemption of any debt security;
- change the method of calculating the rate of interest on any debt security;
- change any obligation of NiSource Finance to pay additional amounts in respect of any debt security;
- reduce the principal amount of a discount security that would be payable upon acceleration of its maturity;
- change the place or currency of payment of principal of, or any premium or interest on, any debt security;
- impair a holder's right to institute suit for the enforcement of any payment after the stated maturity or after any redemption date or repayment date;
- reduce the percentage of holders of debt securities necessary to modify or amend the Indenture or to consent to any waiver under the Indenture;
- change any obligation of NiSource Finance to maintain an office or agency in each place of payment or to maintain an office or agency outside the United States;
- modify the obligations of NiSource under its guarantee in any way adverse to the interests of the holders of the debt securities; and
- modify these requirements or reduce the percentage of holders of debt securities necessary to waive any past default of certain covenants.

(See Section 902.)

Satisfaction and Discharge

Under the Indenture, NiSource Finance can terminate its obligations with respect to debt securities of any series not previously delivered to the indenture trustee for cancellation when those debt securities:

- have become due and payable;
- will become due and payable at their stated maturity within one year; or
- are to be called for redemption within one year under arrangements satisfactory to the indenture trustee for giving notice of redemption.

NiSource Finance may terminate its obligations with respect to the debt securities of that series by depositing with the indenture trustee, as trust funds dedicated solely for that purpose, an amount sufficient to pay and discharge the entire indebtedness on the debt securities of that series. In that case, the Indenture will cease to be of further effect and NiSource Finance's obligations will be satisfied and discharged with respect to that series (except as to NiSource Finance's obligations to pay all other amounts due under the Indenture and to provide certain officers' certificates and opinions of counsel to the indenture trustee). At the expense of NiSource Finance, the indenture trustee will execute proper instruments acknowledging the satisfaction and discharge.

(See Section 401.)

Book-Entry Issuance

Unless otherwise specified in the applicable prospectus supplement, NiSource Finance will issue any debt securities offered under this prospectus as "global securities." We will describe the specific terms for issuing any debt security as a global security in the prospectus supplement relating to that debt security.

Unless otherwise specified in the applicable prospectus supplement, The Depository Trust Company, or DTC, will act as the depositary for any global securities. NiSource Finance will issue global securities as fully registered securities registered in the name of DTC's nominee, Cede & Co. NiSource Finance will issue one or more fully registered global securities for each issue of debt securities, each in the aggregate principal or stated amount of such issue, and will deposit the global securities with 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 under the provisions of Section 17A of the Securities Exchange Act. DTC also facilitates the post-trade settlement among its direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between its direct participants' accounts. This eliminates the need for physical movement of securities certificates. DTC's 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 which, in turn, is owned by a number of DTC's direct participants and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the Financial Industry Regulatory Authority. Access to the DTC system is also available to others such as 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 DTC participant, either directly or indirectly. The DTC rules applicable to its participants are on file with the SEC.

Purchases of securities under DTC's system must be made by or through a direct participant, which will receive a credit for such securities on DTC's records. The ownership interest of each actual purchaser of each security, the beneficial owner, is in turn recorded on the records of direct and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchases, but they should receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the participants through which they entered into the transactions. Transfers of ownership interest in the securities are accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their securities, except in the event that use of the book-entry system for the securities is discontinued.

To facilitate subsequent transfers, all global securities that are deposited with, or on behalf of, DTC are registered in the name of DTC's nominee, Cede & Co. The deposit of global securities with, or on behalf of, DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the securities; DTC's records reflect only the identity of the direct participants to whose accounts such securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct 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.

Neither DTC nor Cede & Co. will consent or vote with respect to the global securities. Under its usual procedures, DTC will mail an omnibus proxy to NiSource Finance as soon as possible after the applicable record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the securities are credited on the applicable record date (identified in a listing attached to the omnibus proxy).

Redemption proceeds, principal payments and any premium, interest or other payments on the global securities will be made to Cede & Co., as nominee of DTC. DTC's practice is to credit direct participants'

accounts on the applicable payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on that date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the participant and not of DTC, NiSource Finance, NiSource or the indenture trustee, subject to any statutory or regulatory requirements in effect at the time. Payment of redemption payments, principal and any premium, interest or other payments to DTC is the responsibility of NiSource Finance and the applicable paying agent, disbursement of payments to direct participants will be the responsibility of DTC, and disbursement of payments to the beneficial owners will be the responsibility of direct and indirect participants.

If applicable, redemption notices will be sent to Cede & Co. If less than all of the debt securities of like tenor and terms are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant in such issue to be redeemed.

A beneficial owner electing to have its interest in a global security repaid by NiSource Finance will give any required notice through its participant and will effect delivery of its interest by causing the direct participant to transfer the participant's interest in the global securities on DTC's records to the appropriate party. The requirement for physical delivery in connection with a demand for repayment will be deemed satisfied when the ownership rights in the global securities are transferred on DTC's records.

DTC may discontinue providing its services as securities depositary with respect to the global securities at any time by giving reasonable notice to NiSource Finance or the indenture trustee. Under such circumstances, in the event that a successor securities depositary is not obtained, certificates for the securities are required to be printed and delivered.

NiSource Finance may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depositary). In that event, certificates for the securities will be printed and delivered.

We have provided the foregoing information with respect to DTC to the financial community for information purposes only. We do not intend the information to serve as a representation, warranty or contract modification of any kind. We have received the information in this section concerning DTC and DTC's system from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

Governing Law

The Indenture and the debt securities are governed by the internal laws of the State of New York.

Information Concerning the Indenture Trustee

Prior to default, the indenture trustee will perform only those duties specifically set forth in the Indenture. After default, the indenture trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. The indenture trustee is under no obligation to exercise any of the powers vested in it by the Indenture at the request of any holder of debt securities unless the holder offers the indenture trustee reasonable indemnity against the costs, expenses and liability that the indenture trustee might incur in exercising those powers. The indenture trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if it reasonably believes that it may not receive repayment or adequate indemnity. (See Section 601.)

DESCRIPTION OF WARRANTS

NiSource and NiSource Finance may issue warrants to purchase equity or debt securities, respectively. NiSource and NiSource Finance may issue warrants independently or together with any offered securities. The warrants may be attached to or separate from those offered securities. NiSource and NiSource Finance will issue the warrants under warrant agreements to be entered into between NiSource or NiSource Finance, as the case may be, and a bank or trust company, as warrant agent, all as described in the applicable prospectus supplement. The warrant

agent will act solely as agent in connection with the warrants and will not assume any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants.

The prospectus supplement relating to any warrants that we may offer will contain the specific terms of the warrants. These terms may include the following:

- the title of the warrants;
- the designation, amount and terms of the securities for which the warrants are exercisable;
- the designation and terms of the other securities, if any, with which the warrants are to be issued and the number of warrants issued with each other security;
- the price or prices at which the warrants will be issued;
- the aggregate number of warrants;
- any provisions for adjustment of the number or amount of securities receivable upon exercise of the warrants or the exercise price of the warrants;
- the price or prices at which the securities purchasable upon exercise of the warrants may be purchased;
- if applicable, the date on and after which the warrants and the securities purchasable upon exercise of the warrants will be separately transferable;
- if applicable, a discussion of the material U.S. federal income tax considerations applicable to the exercise of the warrants;
- any other terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants;
- the date on which the right to exercise the warrants will commence, and the date on which the right will expire;
- the maximum or minimum number of warrants that may be exercised at any time; and
- information with respect to book-entry procedures, if any.

Exercise of Warrants

Each warrant will entitle the holder of warrants to purchase for cash the amount of equity or debt securities at the exercise price stated or determinable in the prospectus supplement for the warrants. Warrants may be exercised at any time up to the close of business on the expiration date shown in the applicable prospectus supplement, unless otherwise specified in such prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void. Warrants may be exercised as described in the applicable prospectus supplement. When the warrant holder makes the payment and properly completes and signs the warrant certificate at the corporate trust office of the warrant agent or any other office indicated in the prospectus supplement, NiSource or NiSource Finance, as the case may be, will, as soon as possible, forward the equity or debt securities that the warrant holder has purchased. If the warrant holder exercises the warrant for less than all of the warrants represented by the warrant certificate, NiSource or NiSource Finance, as the case may be, will issue a new warrant certificate for the remaining warrants.

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS

NiSource may issue stock purchase contracts, including contracts obligating holders to purchase from NiSource, and for NiSource to sell to the holders, a specified number of shares of common stock at a future date or dates. The price per share of common stock and the number of shares of common stock may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula stated in the stock purchase contracts.

The stock purchase contracts may be issued separately or as part of units that we call "stock purchase units." Stock purchase units consist of a stock purchase contract and either NiSource Finance's debt securities or U.S. treasury securities securing the holders' obligations to purchase the common stock under the stock purchase contracts.

The stock purchase contracts may require us to make periodic payments to the holders of the stock purchase units or vice versa, and these payments may be unsecured or prefunded on some basis. The stock purchase contracts may require holders to secure their obligations in a specified manner.

The applicable prospectus supplement will describe the terms of the stock purchase contracts or stock purchase units. The description in the prospectus supplement will only be a summary, and you should read the stock purchase contracts, and, if applicable, collateral or depositary arrangements, relating to the stock purchase contracts or stock purchase units. Material U.S. federal income tax considerations applicable to the stock purchase units and the stock purchase contracts will also be discussed in the applicable prospectus supplement.

PLAN OF DISTRIBUTION

We may sell the securities to or through underwriters, through dealers or agents, directly to you or through a combination of these methods. The prospectus supplement with respect to any offering of securities will describe the specific terms of the securities being offered, including:

- the name or names of any underwriters, dealers or agents;
- the purchase price of the securities and the proceeds to NiSource or NiSource Finance from the sale;
- any underwriting discounts and commissions or agency fees and other items constituting underwriters' or agents' compensation;
- any initial public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange on which the offered securities may be listed.

Through Underwriters. If we use underwriters in the sale of the securities, the underwriters will acquire the offered securities for their own account. We will execute an underwriting agreement with an underwriter or underwriters once an agreement for sale of the securities is reached. The underwriters may resell the offered securities in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The underwriters may sell the offered securities directly or through underwriting syndicates represented by managing underwriters. Unless otherwise stated in the prospectus supplement relating to offered securities, the obligations of the underwriters to purchase those offered securities will be subject to certain conditions, and the underwriters will be obligated to purchase all of those offered securities if they purchase any of them.

Through Dealers. If we use a dealer to sell the securities, we will sell the offered securities to the dealer as principal. The dealer may then resell those offered securities at varying prices determined at the time of resale. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

Through Agents. If we use agents in the sale of securities, we may designate one or more agents to sell offered securities. Unless otherwise stated in a prospectus supplement, the agents will agree to use their best efforts to solicit purchases for the period of their appointment.

Directly to Purchasers. We may sell the offered securities directly to one or more purchasers. In this case, no underwriters, dealers or agents would be involved. We will describe the terms of our direct sales in our prospectus supplement.

General Information. A prospectus supplement will state the name of any underwriter, dealer or agent and the amount of any compensation, underwriting discounts or concessions paid, allowed or reallowed to them. A

prospectus supplement will also state the proceeds to us from the sale of offered securities, any initial public offering price and other terms of the offering of those offered securities.

Our agents, underwriters and dealers, or their affiliates, may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

We may authorize agents, underwriters or dealers to solicit offers by certain institutions to purchase offered securities from us at the public offering price and on terms described in the related prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. If we use delayed delivery contracts, we will disclose that we are using them in our prospectus supplement and will tell you when we will demand payment and delivery of the securities. The delayed delivery contracts will be subject only to the conditions we set forth in our prospectus supplement.

We may enter into agreements to indemnify agents, underwriters and dealers against certain civil liabilities, including liabilities under the Securities Act of 1933.

LEGAL OPINIONS

Schiff Hardin LLP, Chicago, Illinois, will pass upon the validity of the securities offered by this prospectus for us. The opinions with respect to the securities may be subject to assumptions regarding future action to be taken by us and the trustee, if applicable, in connection with the issuance and sale of the securities, the specific terms of the securities and other matters that may affect the validity of securities but that cannot be ascertained on the date of those opinions.

EXPERTS

The consolidated financial statements and related financial statement schedules of NiSource Inc. and subsidiaries, incorporated in this prospectus by reference from NiSource Inc.'s Annual Report on Form 10-K, and the effectiveness of NiSource Inc. and subsidiaries' internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedules have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. *OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION*

The following table sets forth fees and expenses in connection with the issuance and distribution of the securities being registered hereby (other than any underwriting discounts and commissions).

Securities and Exchange Commission filing fee	$ (1)
Trustee's fees(2)	$11,000
Accounting fees and expenses(2)	$13,000
Legal fees and expenses(2)	$39,000
Printing and engraving expenses(2)	$ 6,000
Miscellaneous expenses(2)	$ 1,000
TOTAL(2)	$70,000

(1) This registration statement relates to the registration of securities having an indeterminate maximum aggregate principal amount. The registration fee will be deferred pursuant to Rule 456(b) and calculated in connection with the offering of securities under this registration statement pursuant to Rule 457(r).

(2) Estimated amounts of fees and expenses to be incurred in connection with the registration of the securities pursuant to this registration statement. In addition, as the amount of securities to be issued and distributed pursuant to this registration statement is indeterminate, the fees and expenses of such issuances and distributions cannot be determined or estimated at this time.

ITEM 15. *INDEMNIFICATION OF DIRECTORS AND OFFICERS*

Section B.1. of Article V of NiSource Inc.'s Amended and Restated Certificate of Incorporation, as amended, provides that no director shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director.

Section B.2. of Article V of NiSource Inc.'s Amended and Restated Certificate of Incorporation, as amended, pursuant to Section 145 of the General Corporation Law of Delaware, provides that NiSource Inc. will, to the fullest extent permitted by applicable law, as then in effect, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil or criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation (including NiSource Finance Corp.), partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such investigation, claim, action, suit or proceeding, provided that such person acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if he or she had no reason to believe his or her conduct was unlawful.

Section B.2. of Article V of NiSource Inc.'s Amended and Restated Certificate of Incorporation, as amended, pursuant to Section 145 of the General Corporation Law of Delaware, also provides that if the investigation, claim, action, suit or proceeding is a derivative action (meaning one brought by or on behalf of the corporation), NiSource Inc. will, to the extent permitted by applicable law, as then in effect, indemnify any person against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such investigation, claim, action, suit or proceeding if incurred by such person in connection with the defense or settlement of such investigation, claim, action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect to any investigation, claim, action, suit, proceeding or matter as to which such person shall

have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the corporation, unless and only to the extent that the Delaware Court of Chancery or the court in which the action or suit is brought determines upon application that, despite the adjudication of liability but in light of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expense as the court deems proper.

NiSource Inc.'s Amended and Restated Certificate of Incorporation, as amended, and the General Corporation Law of Delaware permit NiSource Inc. and its subsidiaries to purchase and maintain insurance on behalf of any person who is a director or officer for acts committed in their capacities as such directors or officers. NiSource Inc. currently maintains such liability insurance.

Article VIII of NiSource Finance Corp.'s By-Laws provides for indemnification by NiSource Finance Corp. of any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, formal or informal by reason of the fact such person was a director, officer, employee or agent of NiSource Finance Corp., or is or was serving at the request of NiSource Finance Corp. as a director, officer, employee, agent, partner, trustee or member or in another authorized capacity of or for another corporation, unincorporated association, business trust, partnership, joint venture, trust or other legal entity, against expenses (including attorneys' fees), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, formal or informal, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interest of NiSource Finance Corp. and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful; except that, in the case of an action by or in the right of NiSource Finance Corp. to procure judgment in its favor, no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for willful negligence or misconduct in the performance of such person's duties to NiSource Finance Corp. unless and only to the extent that a court of equity or the court in which such action was pending shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. To the extent such a person is successful on the merits or otherwise in defense of any action, claim, issue or matter referred to herein, such person shall be indemnified against expenses (including attorneys' fees), judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by such person in such action, claim, issue or matter.

As authorized under NiSource Finance Corp.'s By-Laws and the Indiana Business Corporation Law, NiSource Finance has insurance which insures directors and officers for acts committed as such directors or officers.

ITEM 16. *EXHIBITS*

Reference is made to the information in the Exhibit Index filed as part of this registration statement.

ITEM 17. *UNDERTAKINGS*

(a) Each undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the registrants under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

Each undersigned registrant undertakes that in a primary offering of securities of such undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, such undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of such undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of such undersigned registrant or used or referred to by such undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about such undersigned registrant or its securities provided by or on behalf of such undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by such undersigned registrant to the purchaser.

(b) Each undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of NiSource Inc.'s annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement will be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time will be deemed to be the initial bona fide offering thereof.

(h) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, each registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by such registrant of expenses incurred or paid by a director, officer or controlling person of such registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, such registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Merrillville, State of Indiana, on November 5, 2010.

NISOURCE INC.
(Registrant)

By: /s/ Robert C. Skaggs, Jr.
Name: Robert C. Skaggs, Jr.
Title: President, Chief Executive Officer and Director

POWER OF ATTORNEY

Know All Persons By These Presents, that each person whose signature appears below constitutes and appoints Stephen P. Smith, Jon D. Veurink, David J. Vajda, Carrie J. Hightman and Robert E. Smith or any one of them his or her true lawful attorney-in-fact and agent with full power of substitution and re-substitution for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority, to do and perform each and every act and thing requisite or necessary to be done in and about the premises, to all intents and purposes and as fully as they might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert C. Skaggs, Jr. Robert C. Skaggs, Jr.	President, Chief Executive Officer and Director (Principal Executive Officer)	November 5, 2010
/s/ Stephen P. Smith Stephen P. Smith	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	November 5, 2010
/s/ Jon D. Veurink Jon D. Veurink	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	November 5, 2010
/s/ Ian M. Rolland Ian M. Rolland	Chairman of the Board	November 5, 2010
/s/ Richard A. Abdoo Richard A. Abdoo	Director	November 5, 2010

Signature	Title	Date
/s/ Steven C. Beering Steven C. Beering	Director	November 5, 2010
/s/ Dennis E. Foster Dennis E. Foster	Director	November 5, 2010
/s/ Michael E. Jesanis Michael E. Jesanis	Director	November 5, 2010
/s/ Marty R. Kittrell Marty R. Kittrell	Director	November 5, 2010
/s/ W. Lee Nutter W. Lee Nutter	Director	November 5, 2010
/s/ Deborah S. Parker Deborah S. Parker	Director	November 5, 2010
/s/ Richard L. Thompson Richard L. Thompson	Director	November 5, 2010
/s/ Carolyn Y. Woo Carolyn Y. Woo	Director	November 5, 2010

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Merrillville, State of Indiana, on November 5, 2010.

NISOURCE FINANCE CORP.
(Registrant)

By: /s/ Stephen P. Smith
Name: Stephen P. Smith
Title: President and Director

POWER OF ATTORNEY

Know All Persons By These Presents, that each person whose signature appears below constitutes and appoints Stephen P. Smith, Jon D. Veurink, David J. Vajda, Carrie J. Hightman and Robert E. Smith or any one of them his or her true lawful attorney-in-fact and agent with full power of substitution and re-substitution for him or her and in his or her name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority, to do and perform each and every act and thing requisite or necessary to be done in and about the premises, to all intents and purposes and as fully as they might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Stephen P. Smith Stephen P. Smith	President and Director (Principal Executive Officer and Principal Financial Officer)	November 5, 2010
/s/ Jon D. Veurink Jon D. Veurink	Vice President and Chief Accounting Officer (Principal Accounting Officer)	November 5, 2010

EXHIBIT INDEX

The following documents are filed as part of the registration statement or are incorporated by reference:

Exhibit Number	Document Description
1.1	Form of Underwriting Agreement (incorporated by reference to Exhibit 1.1 to NiSource's Form 8-K filed on May 20, 2008).
4.1	Amended and Restated Certificate of Incorporation of NiSource Inc. (incorporated by reference to Exhibit 3.1 to the NiSource Inc. Current Report on Form 8-K filed on May 16, 2006)
4.2	Bylaws of NiSource Inc., as amended and restated through May 11, 2010 (incorporated by reference to Exhibit 3.1 to the NiSource Inc. Current Report on Form 8-K filed on May 14, 2010)
4.3	Indenture, dated November 14, 2000, among NiSource Finance Corp., NiSource Inc., as guarantor, and The Chase Manhattan Bank, as Trustee (incorporated by reference to Exhibit 4.1 to the NiSource Inc. Form S-3 filed November 17, 2000 (Registration No. 333-49330))
5.1	Opinion of Schiff Hardin LLP
12.1	Statement Regarding Computation of Ratio of Earnings to Fixed Charges
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Schiff Hardin LLP (included in Exhibit 5.1)
24.1	Powers of Attorney (included on signature pages)
25.1	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of Trustee for the Indenture with respect to Debt Securities
25.2	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of Trustee for the Indenture with respect to Guarantees of Debt Securities

Exhibit 5.1

November 5, 2010

urce Inc.
East 86th Avenue
Merrillville, Indiana 46410

NiSource Finance Corp.
801 East 86th Avenue
Merrillville, Indiana 46410

Re: Registration Statement on Form S-3

Ladies and Gentlemen:

We have acted as counsel to NiSource Inc., a Delaware corporation (the "Company"), and NiSource Finance Corp., an Indiana corporation ("NiSource Finance"), in connection with a registration statement on Form S-3 (the "Registration Statement") filed by the Company and NiSource Finance with the Securities and Exchange Commission (the "Commission") on November 5, 2010 under the Securities Act of 1933, as amended (the "Securities Act"). The Registration Statement, which became effective upon filing pursuant to Rule 462(e) under the Securities Act, relates to the issuance and sale from time to time, pursuant to Rule 415 of the rules and regulations promulgated under the Securities Act, of an unspecified number or amount of the following securities of the Company and NiSource Finance: (i) common stock, par value $0.01 per share, of the Company (the "Common Stock"); (ii) preferred stock, par value $0.01 per share, of the Company (the "Preferred Stock"); (iii) debt securities of NiSource Finance (the "Debt Securities"); (iv) guarantees of the Company in connection with the Debt Securities (the "Guarantees"); (v) warrants to purchase Debt Securities, warrants to purchase Common Stock and warrants to purchase Preferred Stock (collectively, the "Warrants"); (vi) stock purchase contracts of the Company (the "Stock Purchase Contracts"); and (vii) stock purchase units consisting of a Stock Purchase Contract and a Debt Security (the "Stock Purchase Units"). The Common Stock, Preferred Stock, Debt Securities, Guarantees, Warrants, Stock Purchase Contracts and Stock Purchase Units are collectively referred to herein as the "Securities."

The Debt Securities are to be issued under an indenture, dated as of November 14, 2000, by and among the Company, NiSource Finance and The Bank of New York Mellon (as successor in interest to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank), as trustee (as supplemented from time to time, the "Indenture"), as filed as Exhibit 4.1 to the Company's Registration Statement on Form S-3 (file no. 333-49330), filed November 17, 2000.

This opinion letter is being delivered in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

In connection with our opinion, we have examined the Registration Statement, including the exhibits thereto, and such other documents, rate records and instruments, and have examined such laws and regulations, as we have deemed necessary for the purposes of this on. In making our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as nals, the conformity with the originals of all

documents submitted to us as copies and the legal capacity of all natural persons. As to matters of fact material to our opinions in this letter, we have relied on certificates and statements from officers and other employees of the Company and NiSource Finance, public officials and other appropriate persons.

In rendering the opinions in this letter we have assumed, without independent investigation or verification, that each party to each of the documents executed or to be executed, other than the Company and NiSource Finance, (a) is validly existing and in good standing under the laws of its jurisdiction of organization, (b) has full power and authority to execute such documents to which it is a party and to perform its obligations thereunder, (c) has taken all necessary action to authorize execution of such documents on its behalf by the persons executing same, (d) has properly executed and delivered, or will properly execute and deliver, each of such documents to which it is a party, and (e) has duly obtained all consents or approvals of any nature from and made all filings with any governmental authorities necessary for such party to execute, deliver or perform its obligations under such documents to which it is a party. In addition, in rendering such opinions we have assumed, without independent investigation or verification, (i) that the execution and delivery of, and performance of their respective obligations under, the documents executed or to be executed by each party thereto, other than the Company and NiSource Finance, do not violate any law, rule, regulation, agreement or instrument binding upon such party, (ii) that each of such documents is the legal, valid and binding obligation of, and enforceable against, each party thereto, other than the Company and NiSource Finance, and (iii) that the execution and delivery by the Company and NiSource Finance of, and performance by them of their obligations under, such documents do not violate any law, rule, regulation, agreement or instrument binding upon the Company or NiSource Finance or require any consent or approval from or filing with any governmental authority (except that we do not make the assumption set forth in this clause (iii) with respect to those laws, rules and regulations of the states of Delaware, Indiana, New York and the United States of America that, in our experience, are normally applicable to transactions of the type provided for by the documents executed or to be executed, but without our having made any special investigation with respect to any other laws, rules or regulations).

We make no representation that we have independently investigated or verified any of the matters that we have assumed for the purposes of this opinion letter.

Based on the foregoing and subject to the qualifications set forth below, we are of the opinion that, when any applicable state securities or Blue Sky laws have been complied with:

1. With respect to any offering of Common Stock (the "Offered Common Stock"), when (i) an appropriate prospectus supplement with respect to the Offered Common Stock has been prepared, delivered and filed in compliance with the Securities Act and the applicable rules and regulations thereunder; (ii) if the Offered Common Stock is to be sold pursuant to a firm commitment underwritten offering, the underwriting agreement with respect to the Offered Common Stock has been duly authorized, executed and delivered by the Company and the other parties thereto; (iii) the board of directors, including any appropriate committee appointed thereby, and appropriate officers of the Company have taken all necessary corporate action to approve the issuance of the Offered Common Stock and related matters; and (iv) the terms of the issuance and sale of the Offered Common Stock have been duly established in conformity with

the Amended and Restated Certificate of Incorporation and the Amended and Restated By-laws of the Company, so as not to violate any applicable law or the Amended and Restated Certificate of Incorporation or the Amended and Restated By-laws of the Company or result in a default under a breach of any agreement or instrument binding upon the Company, the Offered Common Stock, when issued and sold in accordance with the applicable underwriting agreement, if any, or any other duly authorized, executed and delivered valid and binding purchase or agency agreement upon payment of the agreed-upon consideration therefor, will be duly authorized, validly issued, fully paid and nonassessable.

2. With respect to any offering of shares of any series of Preferred Stock (the "Offered Preferred Stock"), when (i) an appropriate prospectus supplement with respect to the Offered Preferred Stock has been prepared, delivered and filed in compliance with the Securities Act and the applicable rules and regulations thereunder; (ii) if the Offered Preferred Stock is to be sold pursuant to a firm commitment underwritten offering, the underwriting agreement with respect to the Offered Preferred Stock has been duly authorized, executed and delivered by the Company and the other parties thereto; (iii) the board of directors, including any appropriate committee appointed thereby, and appropriate officers of the Company have taken all necessary corporate action to approve the issuance and terms of the Offered Preferred Stock and related matters, including the adoption of a Certificate of Designations for the Offered Preferred Stock in accordance with the applicable provisions of Delaware law (the "Certificate of Designations"); (iv) the Certificate of Designations has been duly filed with the Delaware Secretary of State; and (v) the terms of the Offered Preferred Stock and of its issuance and sale have been duly established in conformity with the Amended and Restated Certificate of Incorporation and the Amended and Restated By-laws of the Company, including the Certificate of Designations, so as not to violate any applicable law or the Amended and Restated Certificate of Incorporation or the Amended and Restated By-laws of the Company or result in a default under or breach of any agreement or instrument binding upon the Company: (1) the shares of the Offered Preferred Stock, when issued and sold in accordance with the applicable underwriting agreement or any other duly authorized, executed and delivered valid and binding purchase or agency agreement upon payment of the agreed-upon consideration therefor, will be duly authorized, validly issued, fully paid and nonassessable; and (2) if the Offered Preferred Stock is convertible or exchangeable into shares of Common Stock, the shares of Common Stock issuable upon conversion or exchange of the Offered Preferred Stock will be duly authorized, validly issued, fully paid and nonassessable, assuming the conversion or exchange of the Offered Preferred Stock is in accordance with the terms of the Certificate of Designations.

3. With respect to any offering of any series of Debt Securities (the "Offered Debt Securities"), when (i) an appropriate prospectus supplement with respect to the Offered Debt Securities has been prepared, delivered and filed in compliance with the Securities Act and the applicable rules and regulations thereunder; (ii) if the Offered Debt Securities are to be sold pursuant to a firm commitment underwritten offering, the underwriting agreement with respect to the Offered Debt Securities has been duly authorized, executed and delivered by NiSource Finance and the other parties thereto; (iii) the board of directors, including any appropriate committee appointed thereby, and appropriate officers of NiSource Finance have taken all necessary corporate action to approve the issuance and terms of the Offered Debt Securities and related matters; (iv) the terms of the Offered Debt Securities and of their issuance and sale have been duly established in conformity with the Indenture so as not to violate any applicable law or

the Amended Articles of Incorporation or the By-laws of NiSource Finance or result in a default under or breach of any agreement or instrument binding upon NiSource Finance; and (v) the Offered Debt Securities have been duly executed and authenticated in accordance with the provisions of the Indenture and duly delivered to the purchasers thereof upon payment of the agreed-upon consideration therefor: (1) the Offered Debt Securities, when issued and sold in accordance with the applicable underwriting agreement, if any, or any other duly authorized executed and delivered valid and binding purchase or agency agreement, will be legal, valid and binding obligations of NiSource Finance, enforceable against NiSource Finance in accordance with their respective terms; and (2) if the Offered Debt Securities are convertible or exchangeable into shares of Common Stock or Preferred Stock, the shares of Common Stock or Preferred Stock issuable upon conversion or exchange of the Offered Debt Securities will be duly authorized, validly issued, fully paid and nonassessable, assuming the conversion or exchange of the Offered Debt Securities is in accordance with the terms of the Indenture and, in the case of Preferred Stock, a Certificate of Designations has been duly adopted and filed with the Delaware Secretary of State.

4. With respect to any offering of Guarantees of Offered Debt Securities, when (i) an appropriate prospectus supplement with respect to the Guarantees and the Offered Debt Securities has been prepared, delivered and filed in compliance with the Securities Act and the applicable rules and regulations thereunder; (ii) if the Guarantees and the Offered Debt Securities are to be sold pursuant to a firm commitment underwritten offering, the underwriting agreement with respect to the Guarantees and the Offered Debt Securities has been duly authorized, executed and delivered by the Company and the other parties thereto; (iii) the board of directors, including any appropriate committee appointed thereby, and appropriate officers of the Company have taken all necessary corporate action to approve the issuance and terms of the Guarantees and related matters; (iv) the board of directors and officers of NiSource Finance have taken all necessary corporate action to approve the issuance and terms of the Offered Debt Securities; (v) the terms of the Guarantees and of their issuance and sale have been duly established in conformity with the Indenture so as not to violate any applicable law or the Amended and Restated Certificate of Incorporation or the Amended and Restated By-laws of the Company or result in a default under or breach of any agreement or instrument binding upon the Company; and (vi) the Guarantees have been duly executed and the Offered Debt Securities have been duly executed and authenticated in accordance with the provisions of the Indenture and duly delivered to the purchasers thereof upon payment of the agreed-upon consideration therefor: the Guarantees, when issued and sold in accordance and the applicable underwriting agreement, if any, or any other duly authorized, executed and delivered valid and binding purchase or agency agreement, will be legal, valid and binding obligations of the Company.

5. With respect to any offering of Warrants (the "Offered Warrants"), when (i) an appropriate prospectus supplement with respect to the Offered Warrants has been prepared, delivered and filed in compliance with the Securities Act and the applicable rules and regulations thereunder; (ii) if the Offered Warrants are to be sold pursuant to a firm commitment underwritten offering, the underwriting agreement with respect to the Offered Warrants has been duly authorized, executed and delivered by the Company or NiSource Finance, as the case may be, and the other parties thereto; (iii) the board of directors, including any appropriate committee appointed thereby, and appropriate officers of the Company or NiSource Finance, as the case may be, have taken all necessary corporate action to approve the issuance and sale and the terms

of the Offered Warrants and related matters, including the adoption of the Warrant Agreement with respect to Warrants to purchase Debt Securities, the Warrant Agreement with respect to Warrants to purchase Common Stock or the Warrant Agreement with respect to Warrants to purchase Preferred Stock (individually, a "Warrant Agreement"), as the case may be, for the Offered Warrants; (iv) the terms of the Offered Warrants and of their issuance and sale have been duly established in conformity with the Amended and Restated Certificate of Incorporation and the Amended and Restated By-laws of the Company and the Amended Articles of Incorporation and the By-Laws of NiSource Finance, as the case may be, so as not to violate any applicable law or the Amended and Restated Certificate of Incorporation or the Amended and Restated By-laws of the Company or the Amended Articles of Incorporation or the By-Laws of NiSource Finance, as the case may be, or result in a default under or breach of any agreement or instrument binding upon the Company or NiSource Finance, as the case may be; and (v) the Warrant Agreement for the Offered Warrants has been duly authorized, executed and delivered and certificates representing the Offered Warrants have been duly executed, countersigned, registered and delivered to the purchasers thereof upon payment of the agreed-upon consideration therefor: (1) the Offered Warrants, when issued and sold in accordance with the applicable underwriting agreement, if any, or any other duly authorized, executed and delivered valid and binding purchase or agency agreement, will be legal, valid and binding obligations of the Company and NiSource Finance, as the case may be; (2) if the Offered Warrants are exercisable for shares of Common Stock or Preferred Stock, the shares of Common Stock or Preferred Stock issuable upon exercise of the Offered Warrants will be duly authorized, validly issued, fully paid and nonassessable, assuming the exercise of the Offered Warrants is in accordance with the terms of the Warrant Agreement with respect to Warrants to purchase Common Stock or the Warrant Agreement with respect to Warrants to purchase Preferred Stock, as the case may be, and assuming, in the case of Preferred Stock, a Certificate of Designations has been duly adopted and filed with the Delaware Secretary of State; and (3) if the Offered Warrants are exercisable for Debt Securities, the Debt Securities issuable upon exercise of the Offered Warrants will be legal, valid and binding obligations of NiSource Finance, enforceable against NiSource Finance in accordance with their terms, assuming the exercise of the Offered Warrants is in accordance with the terms of the Warrant Agreement with respect to Warrants to purchase Debt Securities and is in accordance with the terms of the Indenture.

6. With respect to any offering of Stock Purchase Contracts (the "Offered Stock Purchase Contracts"), when (i) an appropriate prospectus supplement with respect to the Offered Stock Purchase Contracts has been prepared, delivered and filed in compliance with the Securities Act and the applicable rules and regulations thereunder; (ii) if the Offered Stock Purchase Contracts are to be sold pursuant to a firm commitment underwritten offering, the underwriting agreement with respect to the Offered Stock Purchase Contracts has been duly authorized, executed and delivered by the Company and the other parties thereto; (iii) the board of directors, including any appropriate committee appointed thereby, and appropriate officers of the Company have taken all necessary corporate action to approve the issuance and terms of the Offered Stock Purchase Contracts and related matters, including adoption of the Stock Purchase Contract Agreement for the Offered Stock Purchase Contracts (the "Stock Purchase Contract Agreements"); (iv) the terms of the Offered Stock Purchase Contracts and of their issuance and sale have been duly established in conformity with the Amended and Restated Certificate of Incorporation or the Amended and Restated By-laws of the Company so as not to violate any applicable law or the Amended and Restated Certificate of Incorporation or the Amended and

Restated By-laws or result in a default under or breach of any agreement or instrument binding upon the Company; and (v) the Stock Purchase Contract Agreement has been duly executed and duly delivered and certificates representing the Offered Stock Purchase Contracts have been duly executed, authenticated, registered and delivered to the purchasers thereof upon payment of the agreed-upon consideration therefor: (1) the Offered Stock Purchase Contracts, when issued and sold in accordance with the applicable underwriting agreement, if any, or any other duly authorized, executed and delivered valid and binding purchase or agency agreement, will be legal, valid and binding obligations of the Company; and (2) the shares of Common Stock issuable upon settlement of the Offered Stock Purchase Contracts will be duly authorized, validly issued, fully paid and nonassessable, assuming the Offered Stock Purchase Contracts are settled in accordance with the terms of the Stock Purchase Contract Agreement.

7. With respect to any offering of Stock Purchase Units (the "Offered Stock Purchase Units"), when (i) an appropriate prospectus supplement with respect to the Offered Stock Purchase Units has been prepared, delivered and filed in compliance with the Securities Act and the applicable rules and regulations thereunder; (ii) if the Offered Stock Purchase Units are to be sold pursuant to a firm commitment underwritten offering, the underwriting agreement with respect to the Offered Stock Purchase Units has been duly authorized, executed and delivered by the Company and the other parties thereto; (iii) the board of directors, including any appropriate committee appointed thereby, and appropriate officers of the Company have taken all necessary corporate action to approve the issuance and terms of the Offered Stock Purchase Units and related matters, including the adoption of the Stock Purchase Unit Agreement for the Offered Stock Purchase Units (the "Stock Purchase Unit Agreement"); (iv) the terms of the Offered Stock Purchase Units and of their issuance and sale have been duly established in conformity with the Amended and Restated Certificate of Incorporation or the Amended and Restated By-laws of the Company so as not to violate any applicable law or the Amended and Restated Certificate of Incorporation or the Amended and Restated By-laws of the Company or result in a default under or breach of any agreement or instrument binding upon the Company; and (v) the Stock Purchase Unit Agreement has been duly executed and duly delivered and certificates representing the Offered Stock Purchase Units have been duly executed, authenticated, registered and delivered to the purchasers thereof upon payment of the agreed-upon consideration therefor: (1) the Offered Stock Purchase Units, when issued and sold in accordance with the applicable underwriting agreement, if any, or any other duly authorized, executed and delivered valid and binding purchase or agency agreement, will be legal, valid and binding obligations of the Company; and (2) the shares of Common Stock issuable upon settlement of the Offered Stock Purchase Units will be duly authorized, validly issued, fully paid and nonassessable, assuming the Offered Stock Purchase Units are settled in accordance with the terms of the Stock Purchase Unit Agreement.

The opinions set forth above are subject to the following qualifications:

A. The opinions expressed herein with respect to the legality, validity, binding nature and enforceability of any Securities are subject to (i) applicable laws relating to bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws affecting creditors' rights generally, whether now or hereafter in effect, (ii) general principles of equity, including, without limitation, concepts of materiality, laches, reasonableness, good faith and fair dealing and the principles regarding when injunctive or other equitable remedies will be

available (regardless of whether considered in a proceeding at law or in equity), (iii) requirements that a claim with respect to any Offered Debt Security or Guarantee of an Offered Debt Security denominated other than in United States dollars (or a judgment denominated other than in United States dollars in respect to such claim) be converted into United States dollars at a rate of exchange prevailing on a date determined pursuant to applicable law and (iv) government authority to limit, delay or prohibit the making of payments outside the United States or in foreign currencies, currency units or composite currencies.

B. The foregoing opinions are limited to the laws of the State of New York, the State of Indiana, the General Corporation Law of Delaware (which includes those statutory provisions and all applicable provisions of the Delaware Constitution and the reported judicial decisions interpreting such laws) and the federal laws of the United States of America, and we express no opinion as to the laws of any other jurisdiction.

The opinions expressed in this opinion letter are as of the date of this opinion letter only and as to laws covered hereby only as they are in effect on that date, and we assume no obligation to update or supplement such opinion to reflect any facts or circumstances that may come to our attention after that date or any changes in law that may occur or become effective after that date. The opinions herein are limited to the matters expressly set forth in this opinion letter, and no opinion or representation is given or may be inferred beyond the opinions expressly set forth in this opinion letter.

We hereby consent to the filing of this opinion as Exhibit 5.1 to the Registration Statement and to the reference to us under the caption "Legal Opinions" in the prospectus contained in the Registration Statement. In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

SCHIFF HARDIN LLP

By: /s/ Robert J. Minkus
Robert J. Minkus

Exhibit 12.1

NiSource Inc.

Ratio of Earnings to Fixed Charges

	Nine months ended September 30, 2010	2009	2008	2007	2006	2005
Earnings as defined in item 503(d) of Regulation S-K:						
Add:						
Pretax income from continuing Operations (b)	$367,308,007	$381,711,851	$547,756,665	$453,435,772	$526,823,271	$428,984,984
Fixed Charges	331,141,254	423,724,907	422,708,986	436,701,099	419,858,840	448,424,856
Amortization of capitalized interest (c)	—	—	—	—	—	—
Distributed income of equity investees	31,726,550	2,924,805	7,941,413	44,134,385	21,974,949	3,384,404
Share of pre-tax losses of equity investees for which charges arising guarantees are included in fixed charges	—	—	—	—	—	—
Deduct:						
Interest capitalized (c)	—	—	—	—	—	—
Preference security dividend requirements of consolidated subsidiaries (d)	—	—	—	—	1,670,297	6,448,732
Minority interest in pre-tax income of subsidiaries that have not incurred fixed charges	(788)	(46,769)	(5,307)	(2,708)	(5,443)	(5,524)
	$730,176,599	$808,408,332	$978,412,370	$934,273,964	$966,992,206	$874,351,036
Fixed charges as defined in item 503 (d) of Regulation S-K:						
Interest on long-term debt	$294,748,547	$386,737,382	$358,736,132	$353,404,387	$346,666,685	$385,598,925
Other interest	14,282,000	5,268,937	37,561,475	58,214,067	45,638,785	20,683,691
Capitalized interest during period (c)	—	—	—	—	—	—
Amortization of premium, reacquisition premium, discount and expense on debt, net	8,052,668	13,020,255	7,682,146	7,284,066	7,654,771	17,508,994
Interest portion of rent expense	14,058,827	18,745,102	18,734,540	17,801,287	18,233,745	18,190,038
Minority Interest	(788)	(46,769)	(5,307)	(2,708)	(5,443)	(5,524)
	$331,141,254	$423,724,907	$422,708,986	$436,701,099	$418,188,543	$441,976,124
Plus preferred stock dividends:						
Preferred dividend requirements of subsidiary	$ —	$ —	$ —	$ —	$ 1,076,298	$ 4,233,611
Preferred dividend requirements factor	0.68	0.58	0.67	0.65	0.64	0.66
Preference security dividend requirements of consolidated subsidiaries (d)	—	—	—	—	1,670,297	6,448,732
Fixed charges	331,141,254	423,724,907	422,708,986	436,701,099	418,188,543	441,976,124
	$331,141,254	$423,724,907	$422,708,986	$436,701,099	$419,858,840	$448,424,856
Ratio of earnings to fixed charges	2.21	1.91	2.31	2.14	2.30	1.95

(a) Income Statement amounts have been adjusted for discontinued operations.

(b) Excludes adjustment for minority interest in consolidated subsidiaries or income or loss from equity investees.

(c) NiSource is a public utility following SFAS 71 and therefore does not add amortization of capitalized interest or subtract interest

capitalized in determining earnings, nor reduces fixed charges for Allowance for Funds Used During Construction.

(d) Preferred dividends, as defined by SEC regulation S-K, are computed by dividing the preferred dividend requirement by one minus the effective income tax rate applicable to continuing operations.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement on Form S-3 of our reports dated February 26, 2010, relating to financial statements and financial statement schedules of NiSource, Inc. and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting, appearing in the Annual Report on Form 10-K of the Company for the year ended December 31, 2009, and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ DELOITTE & TOUCHE LLP

Columbus, Ohio
November 4, 2010

Exhibit 25.1

FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) ☐

THE BANK OF NEW YORK MELLON
(Exact name of trustee as specified in its charter)

New York	**13-5160382**
(State of incorporation if not a U.S. national bank)	(I.R.S. employer identification no.)
One Wall Street, New York, N.Y.	**10005**
(Address of principal executive offices)	(Zip code)

Lincoln Finkenberg
The Bank of New York Mellon
One Wall Street
New York, NY 10005
(212) 635-1270
(Name, address and telephone number of agent for service)

NISOURCE FINANCE CORP.
(Exact name of obligor as specified in its charter)

Indiana	**35-2105468**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
801 East 86 th Avenue **Merrillville, Indiana** (Address of principal executive offices)	**46410** (Zip code)

Debt Securities
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
Superintendent of Banks of the State of New York	One State Street, New York, N.Y. 10004-1417, and Albany, N.Y. 12223
Federal Reserve Bank of New York	33 Liberty Street, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229. 10(d) .

1. A copy of the Organization Certificate of The Bank of New York Mellon (formerly known as The Bank of New York, itself formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672, Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637, Exhibit 1 to Form T-1 filed with Registration Statement No. 333-121195 and Exhibit 1 to Form T-1 filed with Registration Statement No. 333-152735).

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 333-121195).

6. The consent of the Trustee required by Section 321(b) of the Act (Exhibit 6 to Form T-1 filed with Registration Statement No. 333-152735).

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York Mellon, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized in The City of New York, and State of New York, on the 3rd day of November, 2010.

THE BANK OF NEW YORK MELLON

By: /s/ Laurence J. O'Brien
Name: Laurence J. O'Brien
Title: Vice President

Consolidated Report of Condition of

THE BANK OF NEW YORK MELLON

of One Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business June 30, 2010, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

	Dollar Amounts In Thousands
ASSETS	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	2,894,000
Interest-bearing balances	70,096,000
Securities:	
Held-to-maturity securities	3,740,000
Available-for-sale securities	47,179,000
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold in domestic offices	1,000
Securities purchased under agreements to resell	1,090,000
Loans and lease financing receivables:	
Loans and leases held for sale	22,000
Loans and leases, net of unearned income	25,167,000
LESS: Allowance for loan and lease losses	525,000
Loans and leases, net of unearned income and allowance	24,642,000
Trading assets	6,020,000
Premises and fixed assets (including capitalized leases)	1,025,000
Other real estate owned	6,000
Investments in unconsolidated subsidiaries and associated companies	883,000
Direct and indirect investments in real estate ventures	0
Intangible assets:	
Goodwill	4,897,000
Other intangible assets	1,403,000
Other assets	12,096,000

Dollar Amounts In Thousands

Total assets	175,994,000
LIABILITIES	
Deposits:	
In domestic offices	67,709,000
Noninterest-bearing	39,261,000
Interest-bearing	28,448,000
In foreign offices, Edge and Agreement subsidiaries, and IBFs	72,585,000
Noninterest-bearing	2,240,000
Interest-bearing	70,345,000
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased in domestic offices	2,906,000
Securities sold under agreements to repurchase	12,000
Trading liabilities	7,528,000
Other borrowed money:	
(includes mortgage indebtedness and obligations under capitalized leases)	1,619,000
Not applicable	
Not applicable	
Subordinated notes and debentures	3,490,000
Other liabilities	5,096,000
Total liabilities	160,945,000
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	0
Common stock	1,135,000
Surplus (exclude all surplus related to preferred stock)	8,545,000
Retained earnings	6,215,000
Accumulated other comprehensive income	-1,208,000
Other equity capital components	0
Total bank equity capital	14,687
Noncontrolling (minority) interests in consolidated subsidiaries	362,000
Total equity capital	15,049,000
Total liabilities and equity capital	175,994,000

I, Thomas P. Gibbons, Chief Financial Officer of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

Thomas P. Gibbons,
Chief Financial Officer

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

Gerald L. Hassell
Robert P. Kelly
Catherine A. Rein

Directors

Exhibit 25.2

FORM T-1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF ELIGIBILITY
UNDER THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE
ELIGIBILITY OF A TRUSTEE PURSUANT TO
SECTION 305(b)(2) ☐

THE BANK OF NEW YORK MELLON
(Exact name of trustee as specified in its charter)

New York (State of incorporation if not a U.S. national bank)	**13-5160382** (I.R.S. employer identification no.)
One Wall Street, New York, N.Y. (Address of principal executive offices)	**10005** (Zip code)

Lincoln Finkenberg
The Bank of New York Mellon
One Wall Street
New York, NY 10005
(212) 635-1270
(Name, address and telephone number of agent for service)

NISOURCE INC.
(Exact name of obligor as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**35-2108964** (I.R.S. employer identification no.)
801 East 86 th Avenue **Merrillville, Indiana** (Address of principal executive offices)	**46410** (Zip code)

Guarantees of Debt Securities
(Title of the indenture securities)

1. General information. Furnish the following information as to the Trustee:

(a) Name and address of each examining or supervising authority to which it is subject.

Name	Address
erintendent of Banks of the State of New York	One State Street, New York, N.Y. 10004-1417, and Albany, N.Y. 12223
Federal Reserve Bank of New York	33 Liberty Street, New York, N.Y. 10045
Federal Deposit Insurance Corporation	Washington, D.C. 20429
New York Clearing House Association	New York, New York 10005

(b) Whether it is authorized to exercise corporate trust powers.

Yes.

2. Affiliations with Obligor.

If the obligor is an affiliate of the trustee, describe each such affiliation.

None.

16. List of Exhibits.

Exhibits identified in parentheses below, on file with the Commission, are incorporated herein by reference as an exhibit hereto, pursuant to Rule 7a-29 under the Trust Indenture Act of 1939 (the "Act") and 17 C.F.R. 229. 10(d) .

1. A copy of the Organization Certificate of The Bank of New York Mellon (formerly known as The Bank of New York, itself formerly Irving Trust Company) as now in effect, which contains the authority to commence business and a grant of powers to exercise corporate trust powers. (Exhibit 1 to Amendment No. 1 to Form T-1 filed with Registration Statement No. 33-6215, Exhibits 1a and 1b to Form T-1 filed with Registration Statement No. 33-21672, Exhibit 1 to Form T-1 filed with Registration Statement No. 33-29637, Exhibit 1 to Form T-1 filed with Registration Statement No. 333-121195 and Exhibit 1 to Form T-1 filed with Registration Statement No. 333-152735).

4. A copy of the existing By-laws of the Trustee. (Exhibit 4 to Form T-1 filed with Registration Statement No. 333-121195).

6. The consent of the Trustee required by Section 321(b) of the Act (Exhibit 6 to Form T-1 filed with Registration Statement No. 333-152735).

7. A copy of the latest report of condition of the Trustee published pursuant to law or to the requirements of its supervising or examining authority.

SIGNATURE

Pursuant to the requirements of the Act, the Trustee, The Bank of New York Mellon, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on the 3rd day of November, 2010.

THE BANK OF NEW YORK MELLON

By: /s/ Laurence J. O'Brien
Name: Laurence J. O'Brien
Title: Vice President

Consolidated Report of Condition of

THE BANK OF NEW YORK MELLON

of One Wall Street, New York, N.Y. 10286
And Foreign and Domestic Subsidiaries,

a member of the Federal Reserve System, at the close of business June 30, 2010, published in accordance with a call made by the Federal Reserve Bank of this District pursuant to the provisions of the Federal Reserve Act.

	Dollar Amounts In Thousands
ASSETS	
Cash and balances due from depository institutions:	
Noninterest-bearing balances and currency and coin	2,894,000
Interest-bearing balances	70,096,000
Securities:	
Held-to-maturity securities	3,740,000
Available-for-sale securities	47,179,000
Federal funds sold and securities purchased under agreements to resell:	
Federal funds sold in domestic offices	1,000
Securities purchased under agreements to resell	1,090,000
Loans and lease financing receivables:	
Loans and leases held for sale	22,000
Loans and leases, net of unearned income	25,167,000
LESS: Allowance for loan and lease losses	525,000
Loans and leases, net of unearned income and allowance	24,642,000
Trading assets	6,020,000
Premises and fixed assets (including capitalized leases)	1,025,000
Other real estate owned	6,000
Investments in unconsolidated subsidiaries and associated companies	88?
Direct and indirect investments in real estate ventures	
Intangible assets:	
Goodwill	4,897,000
Other intangible assets	1,403,000
Other assets	12,096,000

Dollar Amounts In Thousands

Total assets	175,994,000
LIABILITIES	
Deposits:	
In domestic offices	67,709,000
Noninterest-bearing	39,261,000
Interest-bearing	28,448,000
In foreign offices, Edge and Agreement subsidiaries, and IBFs	72,585,000
Noninterest-bearing	2,240,000
Interest-bearing	70,345,000
Federal funds purchased and securities sold under agreements to repurchase:	
Federal funds purchased in domestic offices	2,906,000
Securities sold under agreements to repurchase	12,000
Trading liabilities	7,528,000
Other borrowed money:	
(includes mortgage indebtedness and obligations under capitalized leases)	1,619,000
Not applicable	
Not applicable	
Subordinated notes and debentures	3,490,000
Other liabilities	5,096,000
Total liabilities	160,945,000
EQUITY CAPITAL	
Perpetual preferred stock and related surplus	0
Common stock	1,135,000
Surplus (exclude all surplus related to preferred stock)	8,545,000
Retained earnings	6,215,000
Accumulated other comprehensive income	-1,208,000
Other equity capital components	0
bank equity capital	14,687,000
controlling (minority) interests in consolidated subsidiaries	362,000
l equity capital	15,049,000
Total liabilities and equity capital	175,994,000

I, Thomas P. Gibbons, Chief Financial Officer of the above-named bank do hereby declare that this Report of Condition is true and correct to the best of my knowledge and belief.

Thomas P. Gibbons,
Chief Financial Officer

We, the undersigned directors, attest to the correctness of this statement of resources and liabilities. We declare that it has been examined by us, and to the best of our knowledge and belief has been prepared in conformance with the instructions and is true and correct.

Gerald L. Hassell
Robert P. Kelly
Catherine A. Rein

Directors

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL Utilities

5. Supply projected capital requirements and sources of Company, Parent, and System (Consolidated) for each of future three years.

Response:

Please see Exhibit No. 405 Attachment A page 1 for Columbia Gas of Pennsylvania, Inc.

Please see Exhibit No. 405 Attachment A page 2 for NiSource Inc.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL Utilities

USES OF FUNDS *000's*	FY 2013	FY 2014	FY 2015
Constructions	$167,444	$169,565	$135,608
Allowance for Funds Used During Contruction	0	0	0
Debt Retirement and Redemption	22,000	0	47,350
Common Dividends	0	0	0
Other Investing Activities	0	0	0
Total Funds Required	189,444	169,565	182,958
SOURCES OF FUNDS			
Internal Sources			
Net Income	$36,878	$36,955	$28,967
Income from Subsidiaries	(382)	(319)	(322)
Depreciation	35,595	39,187	42,663
Deferred Taxes	34,463	17,442	14,721
OPEB	(255)	(331)	(418)
Retirement Income Plan	3,725	91	(4,069)
Other Assets/Liabilities	(6,088)	(1,622)	3,878
Working Capital	(22,278)	(13,786)	(4,151)
Total Internal Sources	81,658	77,617	81,269
External Sources			
Common Stock	0	0	0
Net Increase(Decrease) in Short-Term Borrowings	52,566	68,250	804
Issuance of Long-Term debt	55,175	23,650	100,825
Capital Leases	45	48	60
Sale of Assets	0	0	0
Total External Sources	107,786	91,948	101,689
Total Sources of Funds	189,444	169,565	182,958

NISOURCE, INC.
53.53 II. RATE OF RETURN
A. ALL Utilities

USES OF FUNDS *000's*	FY 2013	FY 2014	FY 2015
Constructions	$1,658,500	$1,775,700	$1,509,300
Allowance for Funds Used During Contruction	0	0	0
Debt Retirement and Redemption	502,300	513,600	489,800
Common Dividends	311,400	326,500	353,700
Other Investing Activities	0	0	0
Total Funds Required	2,472,200	2,615,800	2,352,800
SOURCES OF FUNDS			
Internal Sources			
Net Income	$475,400	$497,600	$537,300
Depreciation	610,200	631,000	667,800
Deferred Taxes	162,400	67,700	110,600
Other Cash Flow From Operations	(98,400)	(175,500)	(142,700)
Working Capital	34,000	(10,400)	(11,500)
Total Internal Sources	1,183,600	1,010,400	1,161,500
External Sources			
Common Stock	16,600	17,100	289,000
Net Increase(Decrease) in Short-Term Borrowings	22,000	588,300	(96,500)
Issuance of Long-Term debt	1,250,000	1,000,000	998,800
Sale of Assets	0	0	0
Total External Sources	1,288,600	1,605,400	1,191,300
Net Cash from (used for) Discontinued Operations	0	0	0
Net Investing Activities from (used for) Discontinued Operations	0	0	0
Total Sources of Funds	2,472,200	2,615,800	2,352,800

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. BALANCE SHEET AND OPERATING STATEMENT
A. ALL UTILITIES

6. Provide a schedule of debt and preferred stock of Company, Parent and System (consolidated) as of test year-end and latest date, detailing for each issue (if applicable):

a. Date of issue
b. Date of maturity
c. Amount issued
d. Amount outstanding
e. Amount retired
f. Amount reacquired
g. Gain on reacquisition
h. Coupon rate
i. Discount or premium at issuance
j. Issuance expenses
k. Net proceeds
l. Sinking Fund requirements
m. Effective interest rate
n. Dividend rate
o. Effective cost rate
p. Total average weighted effective cost rate

Response: Please see Attachment A:

Page 1 and 2 – Columbia Gas of Pennsylvania, Inc. (Company)

Page 3 and 4 – NiSource Inc. (System)

The May 31, 2012 test year-end long-term debt schedule is the latest date available for NiSource Inc. The September 30, 2012 long-term debt schedule will be provided when quarter close is complete and the schedule is available.

COLUMBIA GAS OF PENNSYLVANIA, INC.

STATEMENT OF OUTSTANDING LONG TERM NOTES AT MAY 31, 2012

Line No.	Description	Date of Issue (1)	Date of Maturity (2)	Principal Amount Issued (3) $	Amount Paid (4) $	Amount Outstanding (5) $	Coupon Interest Rate (6)	Annualized Cost (7) $
	Columbia Gas of Pennsylvania, Inc.							
1	LONG TERM DEBT							
2	Debentures	11/28/2005	11/28/2012	64,825,000	$ -	64,825,000	5.280%	3,422,760
3	Debentures	11/28/2005	11/28/2015	47,350,000	$ -	47,350,000	5.410%	2,561,635
4	Debentures	11/28/2005	11/28/2016	18,525,000	$ -	18,525,000	5.450%	1,009,613
5	Debentures	11/28/2005	11/28/2025	54,515,000	$ -	54,515,000	5.920%	3,227,288
6	Debentures	11/1/2006	11/1/2021	20,000,000	$ -	20,000,000	6.015%	1,203,000
7	Debentures	12/14/2007	12/14/2027	58,000,000	$ -	58,000,000	6.865%	3,981,700
8	Debentures	12/18/2008	12/18/2013	22,000,000	$ -	22,000,000	5.460%	1,201,200
9	Debentures	12/16/2010	12/16/2030	28,000,000	$ -	28,000,000	6.020%	1,685,600
10	Debentures	3/28/2012	3/26/2032	30,000,000	$ -	30,000,000	5.355%	1,606,500
12	Debentures	3/28/2012	3/26/2042	35,000,000	$ -	35,000,000	5.890%	2,061,500
13	TOTAL INSTALLMENT PROM NOTES PAYABLE			378,215,000	$ -	378,215,000		21,960,796
14	TOTAL AVERAGE WEIGHTED EFFECTIVE COST RATE [Col. 7/Col. 5]							5.806%

COLUMBIA GAS OF PENNSYLVANIA, INC.

STATEMENT OF OUTSTANDING LONG TERM NOTES AT AUGUST 31, 2012

Line No.	Description	Date of Issue (1)	Date of Maturity (2)	Principal Amount Issued (3) $	Amount Paid (4) $	Amount Outstanding (5) $	Coupon Interest Rate (6)	Annualized Cost (7) $
	Columbia Gas of Pennsylvania, Inc.							
1	LONG TERM DEBT							
2	Debentures	11/28/2005	11/28/2012	64,825,000	$ -	64,825,000	5.280%	3,422,760
3	Debentures	11/28/2005	11/28/2015	47,350,000	$ -	47,350,000	5.410%	2,561,635
4	Debentures	11/28/2005	11/28/2016	18,525,000	$ -	18,525,000	5.450%	1,009,613
5	Debentures	11/28/2005	11/28/2025	54,515,000	$ -	54,515,000	5.920%	3,227,288
6	Debentures	11/1/2006	11/1/2021	20,000,000	$ -	20,000,000	6.015%	1,203,000
7	Debentures	12/14/2007	12/14/2027	58,000,000	$ -	58,000,000	6.865%	3,981,700
7	Debentures	12/18/2008	12/18/2013	22,000,000	$ -	22,000,000	5.460%	1,201,200
7	Debentures	12/16/2010	12/16/2030	28,000,000	$ -	28,000,000	6.020%	1,685,600
7	Debentures	3/28/2012	3/26/2032	30,000,000	$ -	30,000,000	5.355%	1,606,500
8	Debentures	3/28/2012	3/26/2042	35,000,000	$ -	35,000,000	5.890%	2,061,500
9	TOTAL INSTALLMENT PROM NOTES PAYABLE			378,215,000	$ -	378,215,000		21,960,796
10	TOTAL AVERAGE WEIGHTED EFFECTIVE COST RATE [Col. 7/Col. 5]							5.806%

COLUMBIA GAS OF PENNSYLVANIA, INC.

SCHEDULE OF LONG TERM DEBT AND PREFERRED STOCK CAPITAL
AS OF MAY 31, 2012
(000's)

Line No.	Title	Date of Issue (1)	Date of Maturity (2)	Principal Amount Issued (3) $	Amount Paid (4) $	Amount Outstanding (5) $	Coupon Interest Rate (6)	Unamortized Debt costs $	Net Amount Outstanding $	Annualized Cost (a) (7) $
	NISOURCE, INC.									
	Current Portion of Long-term Debt									
1	Finance Corp									
2	Notes	11/28/05	11/28/12	315,000.00	0.00	315,000.00	5.21%	(88.91)	314,911.09	16,624.66
3	Senior Unsecured Notes	2/19/03	03/01/13	220,332.00	0.00	220,332.00	6.15%	0.00	220,332.00	13,550.42
4	Senior Unsecured Notes		03/01/13	200,000.00	0.00	200,000.00	6.15%	(53.14)	199,946.86	12,391.86
5	Construction Loans:									
6	NIPSCO	7/01/2009	1/01/13	860.97	0.00	860.97	3.25%	0.00	860.97	27.98
7	**Total Current Portion of Long-term Debt**			736,192.97	0.00	736,192.97		(142.04)	736,050.93	42,594.92
8	**Long-term Debt**									
9	Pollution Control Bonds:									
10	Northern Indiana									
11	Series 1988 A	11/01/88	11/01/16	37,000.00	0.00	37,000.00	5.60%	0.00	37,000.00	2,072.00
12	Series 1988 B	11/01/88	11/01/16	47,000.00	0.00	47,000.00	5.60%	0.00	47,000.00	2,632.00
13	Series 1988 C	11/01/88	11/01/16	46,000.00	0.00	46,000.00	5.60%	0.00	46,000.00	2,576.00
14				130,000.00	0.00	130,000.00		(389.14)	129,610.86	7,368.08
15		8/25/94	06/01/13	18,000.00	0.00	18,000.00	5.20%	(20.98)	17,979.02	956.93
16	Series 1994 B	8/25/94	04/01/19	41,000.00	0.00	41,000.00	5.85%	(146.17)	40,853.83	2,419.43
17				59,000.00	0.00	59,000.00		(167.15)	58,832.85	3,376.35
18	Series 2003	12/18/03	07/01/17	55,000.00	0.00	55,000.00	5.70%	(175.25)	54,824.75	3,169.46
				244,000.00				(731.55)		13,913.89
21	Construction Loans:									
22	Northern Indiana Benton County Wind Farm, LLC	7/01/2009	07/01/14	885.37	0.00	885.37	3.25%	0.00	885.37	28.77
23	Hoosier Wind Project, LLC	7/01/2009	07/01/14	406.09	0.00	406.09	3.25%	0.00	406.09	13.20
24				1,291.46		1,291.46			1,291.46	41.97
25	Northern Indiana - Series E	6/10/97	6/12/17	22,500.00	0.00	22,500.00	7.59%	0.00	22,500.00	1,707.75
26		8/4/97	8/4/17	5,000.00	0.00	5,000.00	7.02%	0.00	5,000.00	351.00
26		8/26/97	8/30/22	10,000.00	0.00	10,000.00	7.40%	0.00	10,000.00	740.00
27		6/6/97	6/6/27	20,000.00	0.00	20,000.00	7.69%	0.00	20,000.00	1,538.00
28		6/6/97	6/27/27	33,000.00	0.00	33,000.00	7.69%	0.00	33,000.00	2,537.70
29		8/4/97	8/4/27	5,000.00	0.00	5,000.00	7.16%	0.00	5,000.00	358.00
30				95,500.00	0.00	95,500.00		(308.29)	95,191.71	7,277.26
31										
32	Northern Indiana - Series C	7/8/93	7/8/13	7,500.00	0.00	7,500.00	7.35%	0.00	7,500.00	551.25
33		7/8/93	7/8/13	7,500.00	0.00	7,500.00	7.35%	0.00	7,500.00	551.25
34		7/22/93	7/22/13	5,000.00	0.00	5,000.00	7.21%	0.00	5,000.00	360.50
35		8/17/93	8/19/13	30,000.00	0.00	30,000.00	7.16%	0.00	30,000.00	2,148.00
36				50,000.00	0.00	50,000.00		(1,017.08)	48,982.92	4,085.48
37	Bay State Gas	12/15/95	12/15/25	10,000.00	0.00	10,000.00	6.43%	(1,041.95)	8,958.05	754.63
38		2/11/98	2/15/28	30,000.00	0.00	30,000.00	6.26%	(3,006.87)	26,993.13	2,069.93
39				40,000.00	0.00	40,000.00		(4,048.82)	35,951.18	2,824.56
40	Capital Markets	3/27/97	3/27/17	2,000.00	0.00	2,000.00	7.85%	0.00	2,000.00	157.00
41		3/27/97	3/27/17	30,000.00	0.00	30,000.00	7.86%	0.00	30,000.00	2,358.00
42		3/31/97	4/3/17	2,000.00	0.00	2,000.00	7.82%	0.00	2,000.00	156.40
43		3/31/97	4/3/17	10,000.00	0.00	10,000.00	7.82%	0.00	10,000.00	782.00
44		3/31/97	4/3/17	10,000.00	0.00	10,000.00	7.92%	0.00	10,000.00	792.00
45		4/1/97	4/3/17	2,000.00	0.00	2,000.00	7.93%	0.00	2,000.00	158.60
46		4/1/97	4/3/17	1,000.00	0.00	1,000.00	7.94%	0.00	1,000.00	79.40
47		3/31/97	4/1/22	6,000.00	0.00	6,000.00	7.99%	0.00	6,000.00	479.40
48		3/31/97	4/1/22	8,000.00	0.00	8,000.00	7.99%	0.00	8,000.00	639.20
49		3/31/97	4/1/22	6,000.00	0.00	6,000.00	7.99%	0.00	6,000.00	479.40
50		5/5/97	5/5/27	29,000.00	0.00	29,000.00	7.99%	0.00	29,000.00	2,317.10
51				106,000.00	0.00	106,000.00		(1,048.78)	104,951.22	8,506.07
52	**Total Medium Term Notes**			291,500.00	0.00	291,500.00		(6,422.98)	285,077.02	22,693.36

COLUMBIA GAS OF PENNSYLVANIA, INC.

SCHEDULE OF LONG TERM DEBT AND PREFERRED STOCK CAPITAL
AS OF MAY 31, 2012
(000's)

Line No.	Title	Date of Issue (1)	Date of Maturity (2)	Principal Amount Issued (3) $	Amount Paid (4) $	Amount Outstanding (5) $	Coupon Interest Rate (6)	Unamortized Debt costs $	Net Amount Outstanding $	Annualized Cost (a) (7) $
	NISOURCE, INC.									
53	Senior Notes:									
54	Capital Markets	12/1/97	12/1/27	3,000.00	0.00	3,000.00	6.78%	0.00	3,000.00	222.83
55	Notes:									
56	NDC Douglas	Various		5,516.56	0.00	5,516.56	7.14%	0.00	5,516.56	393.88
57	NiSource Finance Corp.									
58	Notes	7/16/03	7/15/14	500,000.00	0.00	500,000.00	5.40%	(556.82)	499,443.18	27,267.00
59	Notes	11/28/05	11/28/15	230,000.00	0.00	230,000.00	5.36%	(392.92)	229,607.08	12,443.00
60	Notes	3/09/09	3/15/16	201,526.00	0.00	201,526.00	10.75%	(1,976.20)	199,549.80	22,179.58
61	Notes	11/28/05	11/28/16	90,000.00	0.00	90,000.00	5.41%	(180.68)	89,819.32	4,910.00
62	Notes	9/16/05	9/15/17	450,000.00	0.00	450,000.00	5.25%	(10,114.51)	439,885.49	25,188.10
63	Notes	8/31/07	3/15/18	800,000.00	0.00	800,000.00	6.40%	(3,273.60)	796,726.40	51,765.23
64	Notes	5/20/08	1/15/19	500,000.00	0.00	500,000.00	6.80%	(2,857.58)	497,142.42	34,434.06
65	Notes	9/16/05	9/15/20	550,000.00	0.00	550,000.00	5.45%	(13,398.31)	536,601.69	31,837.90
66	Notes	12/04/09	03/01/22	500,000.00	0.00	500,000.00	6.13%	(4,423.63)	495,576.37	31,078.71
67	Notes	11/28/05	11/28/25	265,000.00	0.00	265,000.00	5.89%	(888.85)	264,111.15	15,674.75
68	Notes	12/8/10	12/15/40	250,000.00	0.00	250,000.00	6.25%	(5,094.38)	244,905.63	15,803.68
69	Notes	6/10/11	6/15/41	400,000.00	0.00	400,000.00	5.95%	(4,570.40)	395,429.60	23,957.60
70	Notes	11/23/11	12/1/21	250,000.00	0.00	250,000.00	4.45%	(2,418.97)	247,581.03	11,379.63
71	Notes	11/23/11	2/1/42	250,000.00	0.00	250,000.00	5.80%	(2,677.36)	247,322.64	14,590.25
72	Notes	4/3/12	4/3/15	250,000.00	0.00	250,000.00	1.49%	(236.11)	249,763.89	3,805.21
72	Total Notes			5,486,526.00	0.00	5,486,526.00		(53,060.33)	5,433,465.67	326,314.68
73	**Total Long-term Debt**			6,031,834.02	0.00	5,787,834.02		(60,214.85)	5,728,350.71	363,580.62
74	**Fixed to Variable Rate Swap Activity**									
75	Receive Fixed 5.40% payments			(500,000.00)	0.00	(500,000.00)				(27,000
76	Pay Variable 6M LIBOR = 0.79%+0.78%			500,000.00	0.00	500,000.00				7,850.00
77	**Total Current Portion and Long-term Debt**			6,768,026.99	0.00	6,524,026.99		(60,356.89)	6,464,401.64	387,025.54
78	Unamortized loss on reaquired CEG debt								(49,549.67)	9,008.00
79	**Total Current Portion and Long-term Debt**			6,768,026.99	0.00	6,524,026.99		(60,356.89)	6,414,851.97	396,033.54
80	**Effective Cost Rate**									6.1737%

(a) Annualized costs includes interest costs and amortization of debt costs.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

7. Supply financial data of Company and/or Parent for last five years:

a. Earnings - price ratio (average)

b. Earnings - book value ratio (per share basis) (average book value)

c. Dividend yield (average)

d. Earnings per share (dollars)

e. Dividends paid per share (dollars)

f. Average book value per share yearly

g. Average yearly market price per share (monthly high-low basis)

h. Pre-tax funded debt interest coverage

I. Post-tax funded debt interest coverage

j. Average market price - average book value ratio

Response:

Please see Exhibit 407 Page 2.

NISOURCE, INC
FINANCIAL DATA FOR THE YEARS 2007-2011
As Reported

Line No.	Description	Year Ended December 31, 2007	2008	2009	2010	2011
	(a) Earnings - Price Ratio (Average) (%)	5.5	1.8	6.7	6.5	5.1
	(b) Earnings - Book Value Ratio (Per share basis) (Average Book Value) (%)	6.3	1.7	4.5	5.9	5.8
	(c) Dividend Yield (Average) (%)	4.3	5.6	7.8	5.8	4.6
	(d) Earnings - per share ($)	1.17	0.29	0.79	1.04	1.03
	(e) Dividends - per share ($)	0.92	0.92	0.92	0.92	0.92
	(f) Average Book Value per Share Yearly ($)	18.52	17.24	17.55	17.56	17.73
	(g) Average Yearly Market Price per Share (Monthly high-low basis) ($)	21.3	16.4	11.8	16.0	20.2
	(h) Pre-Tax Funded Debt Interest Coverage (X)	2.25	2.31	1.88	2.11	2.13
	(i) Post-Tax Funded Debt Interest Coverage (X)	2.89	2.87	2.29	3.04	3.46
	(j) Market Price - Book Value Ratio (%)	115.2	94.9	67.5	91.1	114.0

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

11. Provide AFUDC charged by company at test year-end and latest date, and explain method by which rate was calculated.

Response: AFUDC in the amount of $379,836 was recorded during the test year. The calculated rate of 7.58% was based on Columbia Gas of Pennsylvania's average Construction Work In Progress (CWIP) compared to its short term borrowings.

AFUDC in the amount of $487,875 was recorded for the year ended 07-31-12. The calculated rate of 7.58% was based on Columbia Gas of Pennsylvania's average Construction Work In Progress (CWIP) compared to its short term borrowings.

In January 2012, the company adjusted the AFUDC rate to 7.58%. Further details on this rate and computation are included in response to Question No. GAS-ROR-005.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

12. Set forth provisions of Company's and Parent's charter and indentures (if applicable) which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.

Response:

1. Restrictions contained in the Amended and Restated Certificate of Incorporation of NiSource Inc. as amended ("Charter").

   The Charter provides that dividends may be declared by the Board of Directors and paid on NiSource Inc.'s common stock subject to the powers, preferences and other special rights afforded Preferred Stock holders. (See Article IV, Section B on Exhibit No. 409, Attachment A, page 4 of 17). Currently, NiSource Inc. does not have any outstanding preferred stock.

   The Charter does not contain any coverage requirements or any limits on proportions of types of capital outstanding.

2. Restrictions contained in indentures and indenture supplements.

   The indenture and indenture supplements do not contain any coverage requirements, limits on proportions of types of capital outstanding and restrictions on dividend payouts.

   NiSource issued debt in the private market, which is covered by a Note Purchase Agreement. In the agreement, there is a financial covenant which states, "The Debt to Capitalization ratio shall not be more than .75 to 1.00 at any given time." (See the Note Purchase Agreement, Exhibit No. 409, Attachment B, page 22)

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

NISOURCE INC.

As Amended Through

May 20, 2008

AMENDED AND RESTATED

CERTIFICATE OF INCORPORATION

OF

NISOURCE INC.

Article I
Name

The name of this Corporation is NiSource Inc.

Article II
Registered Office

The registered office of the Corporation in the State of Delaware is located at Corporation Service Company, 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle. The name of its registered agent is Corporation Service Company, and the address of said registered agent is 2711 Centerville Road, Suite 400, in said city.

Article III
Statement of Purpose

The nature of the business to be conducted and the purposes of the Corporation are to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as amended.

Article IV
Classes of Capital Stock

The total number of shares of all classes of stock which the Corporation shall have authority to issue is Four hundred twenty million (420,000,000), of which Twenty million (20,000,000) shares of the par value $.01 each are to be of a class designated Preferred Stock and Four hundred million (400,000,000) shares of the par value of $.01 each are to be of a class designated Common Stock.

A. Common Stock

1. Subject to the powers, preferences and other special rights afforded Preferred Stock by the provisions of this Article IV or resolutions adopted pursuant hereto, the holders of the Common Stock shall be entitled to receive, to the extent permitted by Delaware law, such

dividends as may from time to time be declared by the Board of Directors.

2. Except as otherwise required by Delaware law and as otherwise provided in this Article IV and resolutions adopted pursuant hereto with respect to Preferred Stock, and subject to the provisions of the Bylaws of the Corporation, as from time to time amended, with respect to the closing of the transfer books and the fixing of a record date for the determination of stockholders entitled to vote, the holders of the Common Stock shall exclusively possess voting power for the election of directors and for all other purposes, and the holders of the Preferred Stock shall have no voting power and shall not be entitled to any notice of any meeting of stockholders.

3. Except as may otherwise be required by law, this Amended and Restated Certificate of Incorporation or the provisions of the resolution or resolutions as may be adopted by the Board of Directors pursuant to this Article IV with respect to Preferred Stock, each holder of Common Stock, and each holder of Preferred Stock, if entitled to vote on such matter, shall be entitled to one vote in respect of each share of Common Stock or Preferred Stock, as the case may be, held by such holder on each matter voted upon by stockholders, and any such right to vote shall not be cumulative.

4. Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Except as otherwise required by law and subject to the rights of the holders of any class or any series of Preferred Stock, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption).

5. In the event of the voluntary or involuntary liquidation, dissolution, distribution of assets or winding-up of the Corporation, after distribution in full of the preferential amounts, if any, to be distributed to the holders of Preferred Stock, as set forth in this Article IV or the resolutions adopted with respect to such series under this Article IV, holders of Common Stock shall be entitled to receive all of the remaining assets of the Corporation of whatever kind available for distribution to the stockholders ratably and in proportion to the number of shares of Common Stock held by them respectively. The Board of Directors may distribute in kind to the holders of Common Stock such remaining assets of the Corporation or may sell, transfer, otherwise dispose of all or any part of such remaining assets to any other corporation, trust or other entity and receive payment therefor in cash, stock or obligations of such other corporation, trust or other entity, or a combination thereof, and may set all or make any part of the consideration so received and distributed or any balance thereof in kind to holders of Common Stock. The merger or consolidation of the Corporation into or with any other corporation, or the merger of any other corporation into it, or any purchase or redemption of shares of stock of the Corporation of any class, shall not be deemed to be a dissolution, liquidation, or winding-up of the Corporation for the purposes of this Article IV.

B. Preferred Stock

The express grant of authority to the Board of Directors of the Corporation to fix by resolution or resolutions the designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of the shares of Preferred Stock that are not fixed by this Amended and Restated Certificate of Incorporation is as follows:

1. The Preferred Stock may be issued from time to time in any amount, not exceeding in the aggregate the total number of shares of Preferred Stock herein above authorized, reduced by the number of shares of Preferred Stock designated under Section C of this Article IV, as Preferred Stock of one or more series, as hereinafter provided. All shares of any one series of Preferred Stock shall be alike in every particular, each series thereof shall be distinctively designated by letter or descriptive words, and all series of Preferred Stock shall rank equally and be identical in all respects except as permitted by the provisions of Subsection B.2 of this Article IV.

2. Authority is hereby expressly granted to and vested in the Board of Directors from time to time to issue the Preferred Stock as Preferred Stock of any series and in connection with the creation of each such series to fix, by the resolution or resolutions providing for the issue of shares thereof, the voting powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, if any, of such series, to the full extent now or hereafter permitted by the laws of the State of Delaware. Pursuant to the foregoing general authority vested in the Board of Directors, but not in limitation of the powers conferred on the Board of Directors thereby and by the laws of the State of Delaware, the Board of Directors is expressly authorized to determine with respect to each series of Preferred Stock other than the series designated under Section C of this Article IV:

(a) the designation of such series and number of shares constituting such series;

(b) the dividend rate or amount of such series, the payment dates for dividends on shares of such series, the status of such dividends as cumulative or non-cumulative, the date from which dividends on shares of such series, if cumulative, shall be cumulative, and the status of such as participating or non-participating after the payment of dividends as to which such shares are entitled to any preference;

(c) the price or prices (which amount may vary under different conditions or at different dates) at which, and the times, terms and conditions on which, the shares of such series may be redeemed at the option of the Corporation;

(d) whether or not the shares of such series shall be made optionally or mandatorily convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation or other securities and, if made so convertible or exchangeable, the conversion price or prices, or the rates of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made and any other terms and conditions of such conversion or exchange;

(e) whether or not the shares of such series shall be entitled to the benefit of a retirement or sinking fund to be applied to the purchase or redemption of shares of such series, and if so entitled, the amount of such fund and the manner of its application, including the price or prices at which shares of such series may be redeemed or purchased through the application of such fund;

(f) whether or not the issue of any additional shares of such series or any future series in addition to such series or of any shares of any other class of stock of the Corporation shall be subject to restrictions and, if so, the nature thereof;

(g) the rights and preferences, if any, of the holders of such series of Preferred Stock upon the voluntary or involuntary liquidation, dissolution or winding-up of the Corporation, and the status of the shares of such series as participating or non-participating after the satisfaction of any such rights and preferences;

(h) the full or limited voting rights, if any, to be provided for shares of such series, in addition to the voting rights provided by law; and

(i) any other relative powers, preferences and participating, optional or other special rights and the qualifications, limitations or restrictions thereof, of shares of such series;

in each case, so far as not inconsistent with the provisions of this Amended and Restated Certificate of Incorporation or the Delaware General Corporation Law then in effect.

C. Series A Junior Participating Preferred Stock.

The designation and number of shares, and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of a series of Preferred Stock are fixed by this Section C of ARTICLE IV as follows:

1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 4,000,000.

2. Dividends and Distributions.

(a) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar shares) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of Series A Preferred Stock, in preference to the holders of Common Stock and of any other junior shares, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 20th day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (i) $26 or (ii) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per

share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in Common Stock or a subdivision of the outstanding Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share of Series A Preferred Stock or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding Common Stock (by reclassification or otherwise than by payment of a dividend in Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph 2(a) of this Section C immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $26 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(c) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

3. Voting Rights. The holders of Series A Preferred Stock will have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Except as otherwise provided in this Amended and Restated Certificate of Incorporation, in any resolution creating a series of Preferred Stock or by law, the holders of Series A Preferred Stock and the holders of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(c) If at the time of any annual meeting of stockholders for the election of directors a "default in preference dividends" on the Series A Preferred Stock shall exist, the number of directors constituting the Board of Directors of the Corporation shall be increased by two (2), and the holders of the Preferred Stock of all series (whether or not the holders of such series of Preferred Stock would be entitled to vote for the election of directors if such default in preference dividends did not exist) shall have the right at such meeting, voting together as a single class without regard to series, to the exclusion of the holders of Common Stock, to elect two (2) directors of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Preferred Stock. Each director elected by the holders of Preferred Stock (a "Preferred Director") shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding Preferred Stock voting together as a single class without regard to series, at a meeting of the stockholders or of the holders of Preferred Stock called for the purpose. So long as a default in any preference dividends on the Preferred Stock shall exist, (i) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (ii)) by an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (ii) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding Preferred Stock voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever the term of office of the Preferred Directors shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by two (2). For the purposes hereof, a

"default in preference dividends" on the Preferred Stock shall be deemed to have occurred whenever the amount of accrued dividends upon any series of the Preferred Stock shall be equivalent to six (6) full quarterly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all Preferred Stock of each and every series then outstanding shall have been paid to the end of the last preceding quarterly dividend period.

(d) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock, as provided in paragraph 2 of this Section C, are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity shares on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration any shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior shares in exchange for any shares of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any Series A Preferred Stock, or any shares ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such stock upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(b) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of the Corporation unless the Corporation could, under paragraph 4(a) of this Section C, purchase or otherwise acquire such shares at such time and in such manner.

5. Reacquired Shares. Any Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and, upon the filing of any certificate that may be required by Delaware law, canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth in this Article IV or any resolution providing for the creation of any series of Preferred Stock adopted pursuant thereto or as otherwise required by law.

6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (a) to the holders of shares ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of Series A Preferred Stock shall have received $6,000 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, or (b) to the holders of shares ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity shares in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (a) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of Common Stock that were outstanding immediately prior to such event.

7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other shares or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of shares, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Shares payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by

reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

8. No Redemption. The Series A Preferred Stock shall not be redeemable.

9. Conversion. The Series A Preferred Stock shall not be convertible into Common Stock or shares of any other series of any other class of Preferred Stock.

10. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of Preferred Stock, unless the terms of any such series shall provide otherwise.

11. Amendment. This Amended and Restated Certificate of Incorporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding Series A Preferred Stock, voting together as a single class.

Article V
Board of Directors

A. Election and Removal of Directors

1. The Board of Directors shall consist of not less than nine (9) or more than twelve (12) persons, the exact number to be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption), provided, however, this provision shall not act to limit Board size in the event the holders of one or more series of Preferred Stock are entitled to elect directors to the exclusion of holders of Common Stock. Each director who is serving as a director on the date of this Amended and Restated Certificate of Incorporation shall hold office until the next annual meeting of stockholders following such date and until his or her successor has been duly elected and qualified, notwithstanding that such director may have been elected for a term that extended beyond the date of such next annual meeting of stockholders. At each annual meeting of the stockholders of the Corporation after the date of this Amended and Restated Certificate of Incorporation, directors elected at such annual meeting shall hold office until the next annual meeting of stockholders and until their successors have been duly elected and qualified.

2. Notwithstanding the foregoing and except as otherwise provided by law, whenever the holders of any series of Preferred Stock shall have the right (to the exclusion of holders of Common Stock) to elect directors of the Corporation pursuant to the provisions of Article IV or any resolution adopted pursuant thereto, the election of such directors of the

Corporation shall be governed by the terms and provisions of Article IV or said resolutions and such directors shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the first year following their election or, if such right of the holders of the Preferred Stock is terminated, for a term expiring in accordance with the provisions of Article IV or such resolutions.

3. Newly-created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the directors then in office, even though less than a quorum of the Board of Directors, acting at a regular or special meeting. If any applicable provision of the Delaware General Corporation Law, Article IV or any resolution adopted pursuant to Article IV expressly confers power on stockholders to fill such a directorship at a special meeting of stockholders, such a directorship may be filled at such a meeting only by the affirmative vote of a majority of the combined voting powers of the outstanding shares of stock of the Corporation entitled to vote generally; provided, however, that when (a) pursuant to the provisions of Article IV or any resolutions adopted pursuant thereto, the holders of any series of Preferred Stock have the right (to the exclusion of holders of the Common Stock), and have exercised such right, to elect directors and (b) Delaware General Corporation Law, Article IV or any such resolution expressly confers on stockholders voting rights as aforesaid, if the directorship to be filled had been occupied by a director elected by the holders of Common Stock, then such directorship shall be filled by a majority vote as aforesaid, but if such directorship to be filled had been elected by holders of Preferred Stock, then such directorship shall be filled in accordance with Article IV or the applicable resolutions adopted under Article IV. Any director elected in accordance with the two preceding sentences shall hold office until such director's successor shall have been elected and qualified unless such director was elected by holders of Preferred Stock (acting to the exclusion of the holders of Common Stock), in which case such director's term shall expire in accordance with Article IV or the applicable resolutions adopted pursuant to Article IV. No decrease in the number of authorized directors constituting the entire Board of Directors shall shorten the term of any incumbent director, except as otherwise provided in Article IV or the applicable resolutions adopted pursuant to Article IV with respect to directorships created pursuant to one or more series of Preferred Stock.

4. Subject to the rights of the holders of any series of Preferred Stock to elect directors under specified circumstances, any director or directors may be removed from office at any time, but only for cause and only by the affirmative vote of a majority of the combined voting power of all of the then-outstanding shares of stock of the Corporation entitled to vote generally, voting together as a single class (it being understood that for all purposes of this Article V, each share of Preferred Stock shall have the number of votes, if any, granted to it pursuant to this Amended and Restated Certificate of Incorporation or any resolution adopted pursuant to Article IV).

5. Notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the stock of the Corporation required by law, this Amended and Restated Certificate of Incorporation or any resolution adopted pursuant to Article IV, the affirmative vote of a majority of the total number

of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such alteration, amendment or repeal is presented to the Board for adoption), shall be required to alter, amend or repeal this Article V, or any provision hereof.

B. Liability, Indemnification and Insurance

1. Limitation on Liability. To the fullest extent that the Delaware General Corporation Law as it exists on the date hereof or as it may hereafter be amended permits the limitation or elimination of the personal liability of directors, no director of the Corporation shall be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. No amendment to or repeal of this Section B.1 shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

2. Right to Indemnification. The Corporation shall to the fullest extent permitted by applicable law as then in effect indemnify any person (the Indemnitee) who was or is involved in any manner (including, without limitation, as a party or a witness) or is threatened to be made so involved in any threatened, pending or completed investigation, claim, action, suit or proceeding, whether civil, criminal, administrative or investigative (including, without limitation, any action, suit or proceeding by or in the right of the Corporation to procure a judgment in its favor) (a "Proceeding") by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or of NiSource Corporate Services Company or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, any employee benefit plan) against all expenses including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such Proceeding. Such indemnification shall be a contract right and shall include the right to receive payment of any expenses incurred by the Indemnitee in connection with such Proceeding in advance of its final disposition, consistent with the provisions of applicable law as then in effect.

3. Insurance, Contracts and Funding. The Corporation may purchase and maintain insurance to protect itself and any Indemnitee against any expenses, judgments, fines and amounts paid in settlement as specified in Subsection B.2 of this Section B or incurred by any Indemnitee in connection with any Proceeding referred to in Subsection B.2 of this Section B, to the fullest extent permitted by applicable law as then in effect. The Corporation may enter into contracts with any director, officer, employee or agent of the Corporation in furtherance of the provisions of this Section B and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Section B.

4. Indemnification; No Exclusive Right. The right of indemnification provided in this Section B shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled, and the provisions of this Section B shall inure to the benefit of the heirs and legal representatives of any person entitled to indemnity under this Section B and shall be applicable to Proceedings commenced or continuing after the adoption of this Section B, whether arising from acts or omissions occurring before or after such adoption.

5. Advancement of Expenses; Procedures; Presumptions and Effect of Certain Proceedings; Remedies. In furtherance, but not in limitation of the foregoing provisions, the following procedures, presumptions and remedies shall apply with respect to advancement of expenses and the right to indemnification under this Section B:

(a) Advancement of Expenses. All reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the Corporation within twenty (20) days after the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and, if required by law at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the Indemnitee is not entitled to be indemnified against such expenses pursuant to this Section B.

(b) Procedure for Determination of Entitlement to Indemnification.

(i) To obtain indemnification under this Section B, an Indemnitee shall submit to the Secretary of the Corporation a written request, including such documentation and information as is reasonably available to the Indemnitee and reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification (the "Supporting Documentation"). The determination of the Indemnitee's entitlement to indemnification shall be made not later than sixty (60) days after receipt by the Corporation of the written request for indemnification together with the Supporting Documentation. The Secretary of the Corporation shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that the Indemnitee has requested indemnification.

(ii) The Indemnitee's entitlement to indemnification under this Section B shall be determined in one of the following ways: (A) by a majority vote of the Disinterested Directors (as hereinafter defined), even if they constitute less than a quorum of the Board; (B) by a written opinion of Independent Counsel (as hereinafter defined) if (x) a Change of Control (as hereinafter defined) shall have occurred and the Indemnitee so requests or (y) there are no Disinterested Directors or a majority of such Disinterested Directors so directs; (C) by the stockholders of the Corporation (but only if a majority of the Disinterested Directors presents the issue of entitlement to indemnification to the stockholders for their determination); or (D) as provided in Section B.5(c).

(iii) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section B.5(b)(ii), a majority of the Disinterested Directors shall select the Independent Counsel (except that if there are no Disinterested Directors, the Corporation's General Counsel shall select the Independent Counsel), but only an Independent Counsel to which the Indemnitee does not reasonably object; provided, however, that if a Change of

Control shall have occurred, the Indemnitee shall select such Independent Counsel, but only an Independent Counsel to which the Board of Directors does not reasonably object.

(iv) The only basis upon which a finding of no entitlement to indemnification may be made is that indemnification is prohibited by law.

(c) Presumptions and Effect of Certain Proceedings. Except as otherwise expressly provided in this Section B, if a Change of Control shall have occurred, the Indemnitee shall be presumed to be entitled to indemnification under this Section B upon submission of a request for indemnification together with the Supporting Documentation in accordance with Section B.5(b)(i), and thereafter the Corporation shall have the burden of proof to overcome that presumption in reaching a contrary determination. In any event, if the person or persons empowered under Section B.5(b) to determine entitlement to indemnification shall not have been appointed or shall not have made a determination within sixty (60) days after receipt by the Corporation of the request therefor together with the Supporting Documentation, the Indemnitee shall be deemed to be entitled to indemnification and the Indemnitee shall be entitled to such indemnification unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. The termination of any Proceeding described in Section B.2, or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, adversely affect the right of the Indemnitee to indemnification or create a presumption that the Indemnitee did not act in good faith and in a manner which the Indemnitee reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that the Indemnitee had reasonable cause to believe that the Indemnitee's conduct was unlawful.

(d) Remedies of Indemnitee.

(i) In the event that a determination is made, pursuant to Section B.5(b) that the Indemnitee is not entitled to indemnification under this Section B, (A) the Indemnitee shall be entitled to seek an adjudication of his entitlement to such indemnification either, at the Indemnitee's sole option, in (x) an appropriate court of the State of Delaware or any other court of competent jurisdiction or (y) an arbitration to be conducted by a single arbitrator pursuant to the rules of the American Arbitration Association; (B) any such judicial Proceeding or arbitration shall be de novo and the Indemnitee shall not be prejudiced by reason of such adverse determination; and (C) in any such judicial Proceeding or arbitration the Corporation shall have the burden of proving that the Indemnitee is not entitled to indemnification under this Section B.

(ii) If a determination shall have been made or deemed to have been made, pursuant to Section B.5(b) or (c), that the Indemnitee is entitled to indemnification, the Corporation shall be obligated to pay the amounts constituting such indemnification within five (5) days after such determination

has been made or deemed to have been made and shall be conclusively bound by such determination unless (A) the Indemnitee misrepresented or failed to disclose a material fact in making the request for indemnification or in the Supporting Documentation or (B) such indemnification is prohibited by law. In the event that (x) advancement of expenses is not timely made pursuant to Section B.5(a) or (y) payment of indemnification is not made within five (5) days after a determination of entitlement to indemnification has been made or deemed to have been made pursuant to Section B.5(b) or (c), the Indemnitee shall be entitled to seek judicial enforcement of the Corporation's obligation to pay to the Indemnitee such advancement of expenses or indemnification. Notwithstanding the foregoing, the Corporation may bring an action, in an appropriate court in the State of Delaware or any other court of competent jurisdiction, contesting the right of the Indemnitee to receive indemnification hereunder due to the occurrence of an event described in subclause (A) or (B) of this clause (ii) (a "Disqualifying Event"); provided, however, that in any such action the Corporation shall have the burden of proving the occurrence of such Disqualifying Event.

(iii) The Corporation shall be precluded from asserting in any judicial Proceeding or arbitration commenced pursuant to this Section B.5(d) that the procedures and preemptions of this Section B are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Corporation is bound by all the provisions of this Section B.

(iv) In the event that the Indemnitee, pursuant to this Section B.5(d), seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Section B, the Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any expenses actually and reasonably incurred by the Indemnitee if the Indemnitee prevails in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that the Indemnitee is entitled to receive part but not all of the indemnification or advancement of expenses sought, the expenses incurred by the Indemnitee in connection with such judicial adjudication or arbitration shall be prorated accordingly.

(e) Definitions. For purposes of this Section B.5:

(i) "Change in Control" means (A) so long as the Public Utility Holding Company Act of 1935 is in effect, any "company" becoming a "holding company in respect to the Corporation or any determination by the Securities and Exchange Commission that any "person" should be subject to the obligations, duties, and liabilities if imposed by said Act by virtue of his, hers or its influence over the management or policies of the Corporation, or (B) whether or not said Act is in effect a change in control of the Corporation of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934 (the "Exchange Act"), whether or not the Corporation is then subject to such reporting

requirement; provided that, without limitation, such a change in control shall be deemed to have occurred if (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing ten percent or more of the combined voting power of the Corporation's then outstanding securities without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such acquisition; (ii) the Corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (including for this purpose any new director whose election or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board of Directors.

(ii) "Disinterested Director" means a director of the Corporation who is not or was not a party to the Proceeding in respect of which indemnification is sought by the Indemnitee.

(iii) "Independent Counsel" means a law firm or a member of a law firm that neither presently is, nor in the past five years has been, retained to represent: (A) the Corporation or the Indemnitee in any matter material to either such party or (B) any other party to the Proceeding giving rise to a claim for indemnification under this Section B. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing under Delaware law, would have a conflict of interest in representing either the Corporation or the Indemnitee in an action to determine the Indemnitee's rights under this Section B.

6. Severability. If any provision or provisions of this Section B shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provision of this Section B (including, without limitation, all portions of any paragraph of this Section B containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Section B (including, without limitation, all portions of any paragraph of this Section B containing any such provision held to be invalid, illegal or unenforceable, that are not themselves invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

7. Successor Laws, Regulations and Agencies. Reference herein to laws, regulations or agencies shall be deemed to include all amendments thereof, substitutions therefor and successors thereto.

Article VI
General Powers of the Board of Directors

A. Bylaws

The Board of Directors shall have the power to make, alter, amend and repeal the Bylaws of the Corporation in such form and with such terms as the Board may determine, subject to the power granted to stockholders to alter or repeal the Bylaws provided under Delaware law; provided, however, that, notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, the affirmative vote of a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such alteration, amendment or repeal is presented to the Board for adoption), shall be required to alter, amend or repeal any provision of the Bylaws which is to the same effect as any one or more sections of this Article VI.

B. Charter Amendments

Subject to the provisions hereof, the Corporation, through its Board of Directors, reserves the right at any time, and from time to time, to amend, alter, repeal or rescind any provision contained in this Amended and Restated Certificate of Incorporation in the manner now or hereinafter prescribed by law, and any other provisions authorized by Delaware law at the time enforced may be added or inserted, in the manner now or hereinafter prescribed by law, and any and all rights, preferences and privileges of whatsoever nature conferred upon stockholders, directors or any other persons whomsoever by and pursuant to this Amended and Restated Certificate of Incorporation in its present form or as hereinafter amended are granted subject to the rights reserved in this Article.

EXECUTION COPY

NISOURCE FINANCE CORP., AS ISSUER,
AND
NISOURCE INC., AS GUARANTOR

$315,000,000 5.21% Series A Senior Notes due November 28, 2012
$230,000,000 5.36% Series B Senior Notes due November 28, 2015
$90,000,000 5.41% Series C Senior Notes due November 28, 2016
$265,000,000 5.89% Series D Senior Notes due November 28, 2025

NOTE PURCHASE AGREEMENT

Dated August 23, 2005

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NISOURCE FINANCE CORP.
NISOURCE INC.
801 East 86th Avenue
Merrillville, Indiana 46410

August 23, 2005

TO EACH OF THE PURCHASERS LISTED IN
SCHEDULE A HERETO:

Ladies and Gentlemen:

NiSource Finance Corp., an Indiana corporation (**"NFC"**), and NiSource Inc., a Delaware corporation (the **"Company;"** NFC and the Company being, collectively, the **"Obligors"**), agree with each of the purchasers whose names appear at the end hereof (each, a **"Purchaser"** and, collectively, the **"Purchasers"**) as follows:

SECTION 1. AUTHORIZATION OF NOTES.

NFC will authorize: (i) $315,000,000 aggregate principal amount of its 5.21% Series A Senior Notes due November 28, 2012 (the **"Series A Notes"**), (ii) $230,000,000 aggregate principal amount of its 5.36% Series B Senior Notes due November 28, 2015 (the **"Series B Notes"**), (iii) $90,000,000 aggregate principal amount of its 5.41% Series C Senior Notes due November 28, 2016 (the **"Series C Notes"**), and (iv) $265,000,000 aggregate principal amount of its 5.89% Series D Senior Notes due November 28, 2025 (the **"Series D Notes"**; the Series A Notes, the Series B Notes, the Series C Notes and the Series D Notes are collectively referred to herein as the **"Notes"**, such term to include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement). The Series A Notes, Series B Notes, Series C Notes and Series D Notes shall be substantially in the form set out in Exhibit 1(a), Exhibit 1(b), Exhibit 1(c), and Exhibit 1(d), respectively. The Notes shall be fully and unconditionally guaranteed by the Company pursuant to Section 23 of this Agreement. Certain capitalized and other terms used in this Agreement are defined in Schedule B; and references to a **"Schedule"** or an **"Exhibit"** are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

SECTION 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, NFC will issue and sell to each Purchaser and each Purchaser will purchase from NFC, at the Closing provided for in Section 3, Notes in the principal amount and the Series specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any

liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

SECTION 3. CLOSING.

The sale and purchase of the Notes to be purchased by each Purchaser shall occur at the offices of Dewey Ballantine LLP, 1301 Avenue of the Americas, New York, New York 10019, at 9:00 a.m., eastern standard time, at a closing (the **"Closing"**) on November 28, 2005 or on such other Business Day on or prior to December 31, 2005 as may be agreed upon by the Company and the Purchasers. At the Closing NFC will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note for each Series to be so purchased (or such greater number of Notes in denominations of at least $500,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to NFC or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of NFC and pursuant to the wire transfer instructions delivered pursuant to Section 4.10. If at the Closing NFC shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's reasonable satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's reasonable satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1 Representations and Warranties. The representations and warranties of each Obligor in this Agreement shall be correct when made and at the time of the Closing.

Section 4.2 Performance; No Default. Each Obligor shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14) no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Sections 10.1, 10.2, 10.4 or 10.5 had such Sections applied since such date.

Section 4.3 Compliance Certificates, Etc.

(a) *Officer's Certificate.* Each Obligor shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) *Secretary's Certificate.* Each Obligor shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes, the Guaranty and this Agreement, as applicable.

(c) *Bring-Down Disclosure Report.* Each Obligor shall have delivered to such Purchaser the Bring-Down Disclosure Report, dated the date of Closing, and no matter disclosed in the Bring-Down Disclosure Report, individually or in the aggregate, shall be of a nature that could reasonably be expected to have a Material Adverse Effect.

Section 4.4 Opinions of Counsel. Such Purchaser shall have received opinions in form and substance reasonably satisfactory to such Purchaser, dated the date of the Closing (a) from Schiff Hardin LLP, counsel for the Obligors, covering the matters set forth in Exhibit 4.4(a)(1) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request but excluding matters covered by the opinion delivered pursuant to clause (b) below, (b) from Thelen Reid & Priest LLP, special counsel for the Obligors covering matters set forth in Exhibit 4.4(a)(2) relating to the Public Utility Holding Company Act of 1935, as amended, (and the Obligors hereby instruct their counsel to deliver such opinions to the Purchasers) and (c) from Dewey Ballantine LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5 Purchase Permitted By Applicable Law, Etc. On the date of the Closing such Purchaser's purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6 Sale of Other Notes. Contemporaneously with the Closing NFC shall sell to each other Purchaser and each other Purchaser shall purchase the Notes to be purchased by it at the Closing as specified in Schedule A.

Section 4.7 Payment of Special Counsel Fees. Without limiting the provisions of Section 15.1, NFC shall have paid on or before the Closing the reasonable fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to NFC at least one Business Day prior to the Closing.

Section 4.8 Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each Series of the Notes.

Section 4.9 Changes in Corporate Structure. Neither Obligor shall have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10 Funding Instructions. At least three Business Days prior to the date of the Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of NFC confirming the wire transfer instructions for payment of the purchase price for the Notes on the date of Closing including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the Notes is to be deposited.

Section 4.11 Call of CEG Debt. The Company shall have duly delivered written irrevocable notice of redemption of CEG Public Debt having an aggregate outstanding principal amount at least equal to the aggregate principal amount of the Notes to be issued on the date of Closing and setting forth as the date of redemption for such CEG Public Debt a date which is on (or not more than 5 Business Days after) the date of Closing.

Section 4.12 Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE OBLIGORS.

Each Obligor represents and warrants to each Purchaser that as of the date of this Agreement and, except as disclosed by the Obligors in a written instrument (the **"Bring-Down Disclosure Report"**) to each Purchaser at or prior to the date of Closing, as of the date of Closing:

Section 5.1 Organization; Power and Authority. Each Obligor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each Obligor has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement (including in the case of the Company, without limitation, the Guaranty) and the Notes and to perform the provisions hereof and thereof.

Section 5.2 Authorization, Etc. This Agreement (including in the case of the Company, without limitation, the Guaranty) and the Notes have been duly authorized by all necessary corporate action on the part of each Obligor, as applicable, and this Agreement (including, without limitation, the Guaranty) constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of each Obligor enforceable against such Obligor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3 Disclosure. The Obligors, through their agents, Banc of America Securities LLC and J.P. Morgan Securities Inc., as joint bookrunning agents, have delivered to each Purchaser a copy of a Private Placement Memorandum, dated July 2005 (the **"Memorandum"**), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Memorandum, the documents, certificates or other writings by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements listed in Schedule 5.5, in each case, delivered to the Purchasers prior to July 21, 2005 (this Agreement, the Memorandum and such documents, certificates, writings and financial statements being referred to, collectively, as the **"Disclosure Documents"**), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 31, 2004, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to either Obligor that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

Section 5.4 Organization and Ownership of Shares of Subsidiaries.

(a) Schedule 5.4 contains a complete and correct list of the Company's Subsidiaries required to be disclosed in Exhibit 21 to the most recent Form 10-K, showing, as to each such Subsidiary, the correct name thereof and the jurisdiction of its organization.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 are owned, directly or indirectly, by the Company and its Subsidiaries and have been validly issued, are fully paid and nonassessable and are owned free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a

Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) Except as described on Schedule 5.4, no Subsidiary is a party to, or otherwise subject to any Material legal, regulatory, contractual or other restriction or any Material agreement restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5 Financial Statements; Material Liabilities. The Obligors have delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section 5.6 Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by either Obligor of this Agreement (including, without limitation, with respect to the Company, the Guaranty) and, as to NFC, the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

Section 5.7 Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by either Obligor of this Agreement (including, without limitation, with respect to the Company, the Guaranty) or, as to NFC, the Notes, except in each case as have been obtained and are in full force and effect.

Section 5.8 Litigation; Observance of Agreements, Statutes and Orders.

(a) Except as disclosed in Schedule 5.8, there are no actions, suits, investigations or proceedings pending or, to the knowledge of either Obligor, threatened against or affecting the Company or any Subsidiary or any property of the Company or

any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws or the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9 Taxes. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Obligors know of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended 1998.

Section 5.10 Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of), in each case free and clear of Liens prohibited by this Agreement. All leases to which the Company or any Subsidiary is a party that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11 Licenses, Permits, Etc.

(a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others.

(b) To the best knowledge of the Obligors, no product or service of the Company or any of its Subsidiaries infringes in any material respect any license, permit,

franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of the Obligors, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

Section 5.12 Compliance with ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any unfunded obligation or benefit liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code or Section 4068 of ERISA, other than such liabilities or Liens as would not be individually or in the aggregate reasonably expected to have a Material Adverse Effect.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $1,000,000 in the case of any single Plan and by more than $4,000,000 in the aggregate for all Plans. The term **"benefit liabilities"** has the meaning specified in Section 4001 of ERISA and the terms **"current value"** and **"present value"** have the meaning specified in Section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate could reasonably be expected to have a Material Adverse Effect.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation in the first sentence of this Section 5.12(e) with respect to any holder is made in reliance upon and subject to the accuracy of such holder's representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by such holder.

Section 5.13 Private Offering. Neither Obligor nor anyone acting on its behalf has offered the Notes or the Guaranty or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and not more than 39 other Accredited Institutional Investors, each of which has been offered the Notes and the Guaranty at a private sale for investment. Neither Obligor nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes or the Guaranty to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 5.14 Use of Proceeds; Margin Regulations. NFC will apply the proceeds of the sale of the Notes as set forth in the Memorandum. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 25% of the value of the consolidated assets of either Obligor and its Subsidiaries and neither Obligor has any present intention that margin stock will constitute more than 25% of the value of such assets. As used in this Section, the terms **"margin stock"** and **"purpose of buying or carrying"** shall have the meanings assigned to them in said Regulation U.

Section 5.15 Existing Indebtedness; Future Liens.

(a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all agreements evidencing outstanding Indebtedness that is Material of the Company and its Subsidiaries as of June 30, 2005. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal of or interest on any such Indebtedness of the Company or such Subsidiary and no event or condition exists with respect to any such Indebtedness of the Company or any Subsidiary that would (i) permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment and (ii) as a result thereof constitute an Event of Default.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening

of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.4.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness that is Material of the Company or such Subsidiary, any agreement relating thereto or any other Material agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes (or could reasonably be expected to impose) restrictions on the incurring of, the liabilities of the Obligors pursuant to this Agreement, except for those instruments and agreements specifically indicated in Schedule 5.15.

Section 5.16 Foreign Assets Control Regulations, Etc.

(a) Neither the sale of the Notes by NFC, the issuance of the Guaranty by the Company hereunder nor the use of the proceeds of the Notes will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) Neither the Company nor any Subsidiary is a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order. The Company and its Subsidiaries are in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

Section 5.17 Status under Certain Statutes. Neither the Company nor any Subsidiary is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended or is subject to regulation under the ICC Termination Act of 1995, as amended. The Company is a **"public utility holding company"** within the meaning of the Public Utility Holding Company Act of 1935, as amended ("PUHCA"). All necessary approvals under PUHCA for the issuance and sale of the Notes and the issuance and delivery of the Guaranty have been obtained.

Section 5.18 Environmental Matters. Except as disclosed in Schedule 5.8:

(a) Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except,

in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

(c) Neither the Company nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect.

(d) All buildings on all real properties now owned, leased or operated by the Company or any Subsidiary are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.19 Solvency. The Company is, and upon giving effect to the sale of the Notes on the date of the Closing and the consummation of the transactions contemplated by this Agreement will be, a "solvent institution", as said term is used in Section 1405(c) of the New York Insurance Law, whose "obligations . . . .are not in default as to principal or interest", as said terms are used in Section 1405(c).

SECTION 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1 Purchase for Investment. Each Purchaser severally represents that it: (a) is an Accredited Institutional Investor, (b) has had the opportunity to ask questions of the Obligors and has received answers concerning the terms and conditions of the sale of the Notes, and (c) is purchasing the Notes for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, *provided* that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section 6.2 Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a **"Source"**) to be used by such Purchaser to pay the purchase price of the Notes to be purchased by such Purchaser hereunder:

(a) the Source is an **"insurance company general account"** (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption (**"PTE"**) 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the **"NAIC Annual Statement"**)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an **"investment fund"** (within the meaning of Part V of PTE 84-14 (the **"QPAM Exemption"**)) managed by a **"qualified professional asset manager"** or **"QPAM"** (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of **"control"** in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a **"plan(s)"** (within the meaning of Section IV of PTE 96-23 (the **"INHAM Exemption"**)) managed by an **"in-house asset manager"** or **"INHAM"** (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms **"employee benefit plan," "governmental plan,"** and **"separate account"** shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1 Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), copies of,

(1) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(2) consolidated statements of income and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, *provided* that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q (the **"Form 10-Q"**) prepared in compliance with the requirements therefor and filed with the SEC shall be deemed to satisfy the requirements of this Section 7.1(a), *provided, further,* that the Company shall be deemed to have made such delivery of such Form 10-Q if it shall have timely made such Form 10-Q available on **"EDGAR"** (such availability being referred to as **"Electronic Delivery"**);

(b) *Annual Statements* — within 120 days after the end of each fiscal year of the Company, copies of

(1) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year, and

(2) consolidated statements of income, shareholder's equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, *provided* that the delivery within the time period specified above of the Company's Annual Report on Form 10-K (the **"Form 10-K"**) for such fiscal year prepared in accordance with the requirements therefor and filed with the SEC, shall be deemed to satisfy the requirements of this Section 7.1(b), *provided, further,* that the Company shall be deemed to have made such delivery if it shall have timely made Electronic Delivery thereof;

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC and of all press releases filed by the Company or any Subsidiary with the SEC concerning developments that are Material, *provided* that in each case the Company shall be deemed to have made such delivery if it shall have timely made Electronic Delivery thereof;

(d) *Notice of Default or Event of Default* — promptly, and in any event within five Business Days, after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *ERISA Matters* — promptly, and in any event within five Business Days, after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(1) with respect to any Plan, any reportable event, as defined in Section 4043(c) of ERISA and the regulations thereunder, for which notice

thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(2) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(3) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) *Notices from Governmental Authority* — promptly, and in any event within 30 days, of receipt by a Responsible Officer thereof, copies of any written notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to compliance or non-compliance with any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) *Requested Information* — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of each Obligor to perform its obligations hereunder and, with respect to NFC, under the Notes as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2 Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth (which, in the case of Electronic Delivery of any such financial statements, shall be by separate substantially concurrent physical delivery of such certificate to each such holder of Notes):

(a) *Covenant Compliance* — the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.5, during the quarterly or annual period covered by the statements then being furnished; and

(b) *Event of Default* — a statement that such Senior Financial Officer has reviewed, or caused review by a Responsible Officer of, the relevant terms hereof and such review shall not have disclosed the existence during the quarterly or annual period covered by the statements then being furnished any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists

(including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3 Visitation. Each Obligor shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to such Obligor, to visit during normal business hours the principal executive office of such Obligor, to discuss the affairs, finances and accounts of such Obligor and its Subsidiaries with such Obligor's officers, and (with the consent of such Obligor, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of such Obligor, which consent will not be unreasonably withheld) to visit during normal business hours the other offices and properties of such Obligor and each of its Subsidiaries, all as often as may be reasonably requested in writing; and

(b) *Default* — if a Default or Event of Default then exists, at the expense of each Obligor to visit and inspect any of the offices or properties of such Obligor or any of its Subsidiaries, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision each Obligor authorizes said accountants to discuss the affairs, finances and accounts of each Obligor and its Subsidiaries), all at such times and as often as may be requested.

SECTION 8. PAYMENT AND PREPAYMENT OF THE NOTES.

Section 8.1 Maturity. As provided therein, the entire unpaid principal balance of each Series of the Notes shall be due and payable on the stated maturity date thereof.

Section 8.2 Optional Prepayments with Make-Whole Amount. NFC may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes or any Series of Notes, in an amount not less than $500,000 in the case of a partial prepayment, at 100% of the principal amount so prepaid, and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. NFC will give each holder of Notes to be so prepaid written notice of each such optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount and Series of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, NFC shall deliver to each holder of

Notes of the Series to be prepaid a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3 Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes of any Series, the principal amount of such Notes to be prepaid shall be allocated among all of the Notes of such Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 8.4 Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment (which shall be a Business Day), together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless NFC shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to NFC and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.5 Purchase of Notes. NFC will not and will not permit any of its Affiliates to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes of any Series except (a) upon the payment or prepayment of the Notes of any Series in accordance with the terms of this Agreement and the Notes, or (b) pursuant to a written offer to purchase any outstanding Notes of any Series made by NFC or any such Affiliate pro rata to the holders of all the Notes of such Series upon the same terms and conditions. NFC will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment or prepayment of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.6 Make-Whole Amount. "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

> **"Called Principal"** means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.
>
> **"Discounted Value"** means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on such Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as **"Page PX1"** (or such other display as may replace Page PX1 on Bloomberg Financial Markets (**"Bloomberg"**) or, if Page PX1 (or its successor screen on Bloomberg) is unavailable, the Telerate Access Service screen which corresponds most closely to Page PX1 for the most recently issued actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable Note.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the terms of such Note, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or Section 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 9. AFFIRMATIVE COVENANTS.

So long as any of the Notes are outstanding:

Section 9.1 Compliance with Law. Each Obligor will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, the USA Patriot Act and Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2 Insurance. Each Obligor will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated, except in each case to the extent that any non-compliance with the terms of this Section could not reasonably be expected to have a Material Adverse Effect.

Section 9.3 Maintenance of Properties. Each Obligor will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section shall not prevent any Obligor or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such Obligor or Subsidiary has concluded such discontinuance is desirable in the conduct of its business and could not reasonably be expected to have a Material Adverse Effect.

Section 9.4 Payment of Taxes and Claims. Each Obligor will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes, assessments, charges and levies have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of such Obligor or any of its Subsidiaries, *provided* that neither the Obligors nor any of their Subsidiaries need make any such filing or pay any such tax, assessment, charge, levy or claim if (i) if the amount, applicability or validity thereof is contested by an Obligor or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and an Obligor or such Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of such Obligor or such Subsidiary or (ii) the non-filing of all such returns and/or nonpayment of all such taxes,

assessments, charges, or levies and claims (as the case may be) in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5 Corporate Existence. Subject to Section 10.2, each Obligor will at all times preserve and keep in full force and effect its corporate existence. Each Obligor will at all times preserve and keep in full force and effect the corporate existence of each of the Material Subsidiaries (unless merged into the Company or a Wholly-Owned Subsidiary) and all Material rights and franchises of such Obligor and of the Material Subsidiaries unless, in the good faith judgment of an Obligor, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not have a Material Adverse Effect.

Section 9.6 Books and Records. Each Obligor will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over such Obligor or such Subsidiary, as the case may be, except where failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 10. NEGATIVE COVENANTS.

So long as any of the Notes are outstanding:

Section 10.1 Transactions with Affiliates. The Obligors will not, and will not permit any of their Subsidiaries to, enter into directly or indirectly any transaction or group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except upon fair and reasonable terms no less favorable to such Obligor or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

Section 10.2 Merger, Consolidation, Etc. No Obligor will consolidate with or merge with any other Person or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of such Obligor as an entirety, as the case may be, shall be a solvent corporation, limited liability company or other business entity organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if such corporation, limited liability company or other business entity is not one of the Obligors, (i) such corporation, limited liability company or other business entity shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement (including, in the case of the Company, the Guaranty) and, in the case of NFC, the Notes and (ii) such corporation, limited liability company or other business entity shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such

assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(b) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of an Obligor in violation of the terms of this Section shall have the effect of releasing such Obligor or any successor corporation, limited liability company or other business entity that shall theretofore have become such in the manner prescribed in this Section from its liability under this Agreement including, in the case of the Company, the Guaranty or, in the case of NFC, the Notes.

Section 10.3 Terrorism Sanctions Regulations. The Obligors will not, and will not permit any of their Subsidiaries to, become a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order.

Section 10.4 Liens. The Obligors will not, and will not permit any of their Subsidiaries (other than a Utility Subsidiary) to, create or suffer to exist any lien, security interest or other charge or encumbrance (collectively, **"Liens"**) upon or with respect to any of its properties, whether now owned or hereafter acquired, to secure or provide for or guarantee the payment of Debt for Borrowed Money of any Person, without in any such case effectively securing, prior to or concurrently with the creation, issuance, assumption or guaranty of any such Debt for Borrowed Money, the Notes equally and ratably with (or prior to) such Debt for Borrowed Money; *provided, however,* that the foregoing restrictions shall not apply to or prevent the creation or existence of:

(a) (i) Liens on any property acquired, constructed or improved by the Company or any of its Subsidiaries (other than a Utility Subsidiary) after the date of this Agreement that are created or assumed prior to, contemporaneously with, or within 180 days after, such acquisition or completion of such construction or improvement, to secure or provide for the payment of all or any part of the purchase price of such property or the cost of such construction or improvement; or (ii) in addition to Liens contemplated by clauses (b) and (c) below, Liens on any property existing at the time of acquisition thereof, provided that the Liens shall not apply to any property theretofore owned by the Company or any such Subsidiary other than, in the case of any such construction or improvement, (1) unimproved real property on which the property so constructed or the improvement is located, (2) other property (or improvements thereon) that is an improvement to or is acquired or constructed for specific use with such acquired or constructed property (or improvement thereof), and (3) any rights and interests (A) under any agreements or other documents relating to, or (B) appurtenant to, the property being so constructed or improved or such other property;

(b) existing Liens on any property or indebtedness of a Person that is merged with or into or consolidated with the Company or any of its Subsidiaries; *provided* that such Lien was not created in contemplation of such merger or consolidation;

(c) Liens on any property or indebtedness of a Person existing at the time such Person becomes a Subsidiary of the Company; *provided* that such Lien was not created in contemplation of such occurrence;

(d) Liens to secure Debt for Borrowed Money of a Subsidiary of the Company to the Company or to another Subsidiary of the Company;

(e) Liens in favor of the United States of America, any State, any foreign country or any department, agency or instrumentality or political subdivision of any such jurisdiction, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any Debt for Borrowed Money incurred for the purpose of financing all or any part of the purchase price of the cost of constructing or improving the property subject to such Liens, including, without limitation, Liens to secure Debt for Borrowed Money of the pollution control or industrial revenue bond type;

(f) Liens existing on the date of this Agreement;

(g) Liens for the sole purposes of extending, renewing or replacing in whole or in part Debt for Borrowed Money secured by any Lien referred to in the foregoing clauses (a) through (f), inclusive, or this clause (g); *provided, however,* that the principal amount of Debt for Borrowed Money secured thereby shall not exceed the principal amount of Debt for Borrowed Money so secured at the time of such extension, renewal or replacement (which, for purposes of this limitation as it applies to a synthetic lease, shall be deemed to be (x) the lessor's original cost of the property subject to such lease at the time of extension, renewal or replacement, *less* (y) the aggregate amount of all prior payments under such lease allocated pursuant to the terms of such lease to reduce the principal amount of the lessor's investment, and borrowings by the lessor, made to fund the original cost of the property), and that such extension, renewal or replacement shall be limited to all or a part of the property or indebtedness which secured the Lien so extended, renewed or replaced (plus improvements on such property);

(h) Liens on any property or assets of a Project Financing Subsidiary, or on any equity investment in a Project Financing Subsidiary, in either such case, that secure only a Project Financing or a Contingent Guaranty that supports a Project Financing; or

(i) Any Lien, other than a Lien described in any of the foregoing clauses (a) through (h), inclusive, to the extent that it secures Debt for Borrowed Money, or guaranties thereof, the outstanding principal balance of which at the time of creation of such Lien, when added to the aggregate principal balance of all Debt for Borrowed Money secured by Liens incurred under this clause (i) then outstanding, does not exceed 10% of Consolidated Net Tangible Assets.

Section 10.5 Financial Covenant. The Debt to Capitalization Ratio shall not be more than 0.75 to 1.00 at any time.

SECTION 11. EVENTS OF DEFAULT.

An **"Event of Default"** shall exist if any of the following conditions or events shall occur and be continuing:

(a) NFC defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) NFC defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) any Obligor defaults in the performance of or compliance with any term contained in Section 7.1(d) or Sections 10.1 through 10.5; or

(d) any Obligor defaults in the performance of or compliance with any term contained herein (other than those referred to in Sections 11(a), (b) and (c)) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) any Obligor receiving written notice of such default from any holder of a Note (any such written notice to be identified as a **"notice of default"** and to refer specifically to this Section 11(d)); or

(e) any representation or warranty made in writing by or on behalf of an Obligor or by any officer of an Obligor in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) any Obligor, or any of its Subsidiaries, is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $75,000,000 beyond any period of grace provided with respect thereto, or (ii) any Obligor, or any of its Subsidiaries, is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $75,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) any Obligor, or any of its Subsidiaries, has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $75,000,000, or (y) one or more Persons have the right to require any Obligor, or any of its Subsidiaries, so to purchase or repay such Indebtedness; or

(g) any Obligor or any Substantial Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by any Obligor or any Substantial Subsidiary, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of any Obligor or any Substantial Subsidiary, or any such petition shall be filed against any Obligor or any Substantial Subsidiary and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $75,000,000 are rendered against one or more of an Obligor or its Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay or subject to an insured claim by such Obligor or Subsidiary; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate **"amount of unfunded benefit liabilities"** (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $75,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any unfunded obligation or benefit liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(k) the Guaranty provided by the Company in Section 23 hereto is held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or the Company or any Person acting on behalf of the Company shall deny or disaffirm its obligations under such Guaranty.

As used in Section 11(j), the terms **"employee benefit plan"** and **"employee welfare benefit plan"** shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1 Acceleration. (a) If an Event of Default with respect to either Obligor described in Section 11(g) or (h) (other than an Event of Default described in clause (i) of Section 11(g) or described in clause (vi) of Section 11(g) by virtue of the fact that such clause encompasses clause (i) of Section 11(g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 50% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in Section 11(a), (b) or (k) has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (x) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (y) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Obligors acknowledge, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by NFC (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by NFC in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2 Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3 Rescission. At any time after any Notes have been declared due and payable pursuant to Section 12.1(b) or (c), the holders of not less than 50% in principal amount of the Notes then outstanding, by written notice to any Obligor, may rescind and annul any such declaration and its consequences if (a) there has been paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither Obligor nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4 No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of NFC under Section 15, NFC will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1 Registration of Notes. NFC shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and no Obligor shall be affected by any notice or knowledge to the contrary. NFC shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2 Transfer and Exchange of Notes. Upon surrender of any Note of any Series to NFC at the address and to the attention of the designated officer (all as specified in Section 18(3)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, NFC shall execute and deliver, at NFC's expense (except as provided below), one or more new Notes (as requested by the

holder thereof) of such Series in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of the Note surrendered. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. NFC may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $500,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes of a Series, one Note of such Series may be in a denomination of less than $500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations set forth in Sections 6.1 and 6.2.

Section 13.3 Replacement of Notes. Upon receipt by NFC at the address and to the attention of the designated officer (all as specified in Section 18(3)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $100,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

within ten Business Days thereafter, NFC at its own expense shall execute and deliver, in lieu thereof, a new Note of the same Series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1 Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in Merrillville, Indiana at the principal office of NFC in such jurisdiction. NFC may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of NFC in the United States or the principal office of a bank or trust company in the United States.

Section 14.2 Home Office Payment. So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, NFC will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to NFC in writing for such purpose, without the

presentation or surrender of such Note or the making of any notation thereon, except that upon written request of NFC made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to NFC at its principal executive office or at the place of payment most recently designated by NFC pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to NFC in exchange for a new Note or Notes pursuant to Section 13.2. NFC will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Note as the Purchasers have made in this Section 14.2.

SECTION 15. EXPENSES, ETC.

Section 15.1 Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Obligors will pay all reasonable costs and expenses (including reasonable attorneys' fees of one special counsel for all holders and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, (b) the reasonable costs and expenses incurred in connection with the insolvency or bankruptcy of an Obligor or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and (c) the reasonable costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information with the SVOs *provided,* that such costs and expenses under this clause (c) shall not exceed $5,000.00 in the aggregate. The Obligors will pay, and will save each Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes).

Section 15.2 Survival. The obligations of NFC under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, the Guaranty or the Notes, and the termination of this Agreement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by any Purchaser of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any

certificate or other instrument delivered by or on behalf of an Obligor pursuant to this Agreement shall be deemed representations and warranties of such Obligor under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between each Purchaser and the Obligors and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1 Requirements. (a) This Agreement may be amended, and the observance of any term hereof may be waived (either retroactively or prospectively), with (and only with) the written consent of each of the Obligors and the Required Holders with respect to each Series, and (b) the Notes of any Series may be amended, and the observance of any term thereof may be waived (either retroactively or prospectively), with (and only with) the written consent of each of the Obligors and the Required Holders with respect to such Series; *provided, however,* that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17, 20 or 23.

Section 17.2 Solicitation of Holders of Notes.

(a) *Solicitation.* NFC will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. NFC will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment.* NFC will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Notes then outstanding that granted its consent to such waiver or amendment.

Section 17.3 Binding Effect, etc. Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each

future holder of any Note and upon the Obligors without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between any Obligor and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term **"this Agreement"** and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4 Notes Held by NFC, etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by NFC or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(1) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Obligors in writing,

(2) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Obligors in writing, or

(3) if to either Obligor, to such Obligor at its address set forth at the beginning hereof to the attention of Chief Financial Officer, or at such other address as such Obligor shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. Each

Obligor agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit any Obligor or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, **"Confidential Information"** means information delivered to any Purchaser by or on behalf of any Obligor or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of such Obligor or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by an Obligor or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which it sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which it offers to purchase any security of NFC or the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's Notes, the Guaranty and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by any Obligor in connection with the delivery to any holder of a Note of

information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Obligors embodying the provisions of this Section 20.

SECTION 21. SUBSTITUTION OF PURCHASER.

Each Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Obligors, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Affiliate in lieu of such original Purchaser. In the event that such Affiliate is so substituted as a Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a **"Purchaser"** in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser, and such original Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1 Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2 Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding (but without limiting the requirement in Section 8.4 that the notice of any optional prepayment specify a Business Day as the date fixed for such prepayment), any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 22.3 Accounting Terms. All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP.

Section 22.4 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any

such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.5 Construction, etc. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 22.6 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.7 Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 22.8 Jurisdiction and Process; Waiver of Jury Trial.

(a) Each Obligor irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement, the Guaranty or the Notes. To the fullest extent permitted by applicable law, each Obligor irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) Each Obligor consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.8(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. Each Obligor agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery

receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 22.8 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Obligors in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

SECTION 23. THE GUARANTY.

The Company, as primary obligor and not merely as a surety, hereby irrevocably, absolutely and unconditionally guarantees (the **"Guaranty"**) to the holder of each Note and each of their respective successors, endorsees, transferees and assigns (each a **"Beneficiary"** and collectively, the **"Beneficiaries"**) the prompt and complete payment by NFC, as and when due and payable, of the Obligations, in accordance with the terms of the Notes and this Agreement (collectively, the **"Credit Documents"**). The Guaranty shall rank equally and *pari passu* with all other unsecured and unsubordinated debt of the Company.

The Company hereby guarantees that the Obligations will be paid strictly in accordance with the terms of the Credit Documents, regardless of any law now or hereafter in effect in any jurisdiction affecting any such terms or the rights of the Beneficiaries with respect thereto. The obligations and liabilities of the Company under the provisions of this Section shall be absolute and unconditional irrespective of: (i) any lack of validity or enforceability of any of the Obligations or any Credit Document, or any delay, failure or omission to enforce or agreement not to enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise of any right with respect to the foregoing (including, in each case, without limitation, as a result of the insolvency, bankruptcy or reorganization of any Beneficiary, NFC or any other Person); (ii) any change in the time, manner or place of payment of, or in any other term in respect of, all or any of the Obligations, or any other amendment or waiver of or consent to any departure from the Credit Documents or any agreement or instrument relating thereto; (iii) any exchange or release of, or non-perfection of any Lien on or in any collateral, or any release, amendment or waiver of, or consent to any departure from, any other guaranty of, or agreement granting security for, all or any of the Obligations; (iv) any claim, set-off, counterclaim, defense or other rights that the Company may have at any time and from time to time against any Beneficiary or any other Person, whether in connection with the transactions contemplated by this Agreement or any unrelated transaction; or (v) any other circumstance that might otherwise constitute a defense available to, or a discharge of, NFC or any other guarantor or surety in respect of the Obligations or the Company in respect hereof.

The Guaranty provided for herein (i) is a guaranty of payment and not of collection; (ii) is a continuing guaranty and shall remain in full force and effect until the Obligations have been paid in full in cash; and (iii) shall continue to be effective or shall be reinstated, as the case may

be, if at any time any payment, or any part thereof, of any of the Obligations is rescinded or must otherwise be returned by any Beneficiary upon or as a result of the insolvency, bankruptcy, dissolution, liquidation or reorganization of NFC or otherwise, all as though such payment had not been made.

The obligations and liabilities of the Company hereunder shall not be conditioned or contingent upon the pursuit by any Beneficiary or any other Person at any time of any right or remedy against NFC or any other Person that may be or become liable in respect of all or any part of the Obligations or against any collateral security or guaranty therefor or right of setoff with respect thereto.

The Company hereby consents that, without the necessity of any reservation of rights against the Company and without notice to or further assent by the Company, any demand for payment of any of the Obligations made by any Beneficiary may be rescinded by such Beneficiary and any of the Obligations continued after such rescission.

The Company's obligations under this Section shall be unconditional, irrespective of any lack of capacity of NFC or any lack of validity or enforceability of any other provision of this Agreement or any other Credit Document, and the provisions of this Section shall not be affected in any way by any variation, extension, waiver, compromise or release of any or all of the Obligations or of any security or guaranty from time to time therefor.

The obligations of the Company under this Section shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding or action, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, marshalling of assets, assignment for the benefit of creditors, composition with creditors, readjustment, liquidation or arrangement of NFC or any similar proceedings or actions, or by any defense NFC may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding or action. Without limiting the generality of the foregoing, the Company's liability shall extend to all amounts and obligations that constitute the Obligations and would be owed by NFC, but for the fact that they are unenforceable or not allowable due to the existence of any such proceeding or action.

The Company hereby unconditionally waives in its capacity as a guarantor under this Section: (i) promptness and diligence; (ii) notice of or proof of reliance by the holders of the Notes upon the terms of this Section or acceptance of the terms of this Section; (iii) notice of the incurrence of any Obligation by NFC or the renewal, extension or accrual of any Obligation or of any circumstances affecting NFC's financial condition or ability to perform the Obligations; (iv) notice of any actions taken by the Beneficiaries or NFC or any other Person under any Credit Document or any other agreement or instrument relating thereto; (v) all other notices, demands and protests, and all other formalities of every kind in connection with the enforcement of the Obligations, of the obligations of the Company hereunder or under any other Credit Document, the omission of or delay in which, but for the provisions of this Section might constitute grounds for relieving the Company of its obligations under this Section; (vi) any requirement that the Beneficiaries protect, secure, perfect or insure any Lien or any property subject thereto, or exhaust any right or take any action against NFC or any other Person or any collateral; and (vii) each other circumstance, other than payment of the Obligations in full, that might otherwise

result in a discharge or exoneration of, or constitute a defense to, the Company's obligations hereunder.

No failure on the part of any Beneficiary to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under any Credit Document or any other agreement or instrument relating thereto preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The terms of this Section are in addition to and not in limitation of any other rights, remedies, powers and privileges the Beneficiaries may have by virtue of any other instrument or agreement heretofore, contemporaneously herewith or hereafter executed by the Company or any other Person or by applicable law or otherwise. All rights, remedies, powers and privileges of the Beneficiaries shall be cumulative and may be exercised singly or concurrently. The rights, remedies, powers and privileges of the Beneficiaries under this Section against the Company are not conditional or contingent on any attempt by the Beneficiaries to exercise any of their rights, remedies, powers or privileges against any other guarantor or surety or under the Credit Documents or any other agreement or instrument relating thereto against NFC or against any other Person.

The Company hereby acknowledges and agrees that, until the Obligations have been paid in full in cash, under no circumstances shall it be entitled to be subrogated to any rights of any Beneficiary in respect of the Obligations performed by it hereunder or otherwise, and the Company hereby expressly and irrevocably waives, until the Obligations have been paid in full in cash, (i) each and every such right of subrogation and any claims, reimbursements, right or right of action relating thereto (howsoever arising), and (ii) each and every right to contribution, indemnification, set-off or reimbursement, whether from NFC or any other Person now or hereafter primarily or secondarily liable for any of the Obligations, and whether arising by contract or operation of law or otherwise by reason of the Company's execution, delivery or performance of this Agreement.

The Company represents and warrants that it has established adequate means of keeping itself informed of NFC's financial condition and of other circumstances affecting NFC's ability to perform the Obligations, and agrees that no holder of any Note shall have any obligation to provide to the Company any information it may have, or hereafter receive, in respect of NFC.

To further evidence the Guaranty set forth in this Section 23, the Company hereby agrees that a notation of such Guaranty shall be endorsed by the Company (by manual or facsimile signature) on each Note; *provided* that the Guaranty set forth in this Section 23 shall remain in full force and effect notwithstanding any failure to endorse any Note. The delivery of any Note, after execution thereof, shall constitute due delivery of the Guaranty set forth in this Agreement on behalf of the Company.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Agreement and return it to the Obligors, whereupon this Agreement shall become a binding agreement among you and each of the Obligors.

Very truly yours,

NISOURCE FINANCE CORP.

By: _____
Name:
Title:

NISOURCE INC.

By: _____
Name:
Title:

This Agreement is hereby
accepted and agreed to as
of the date thereof.

[Add Purchaser Signature Blocks]

SCHEDULE A

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER:	PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:
THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY	
(1) All payments by wire transfer of immediately available funds to: US Bank 777 East Wisconsin Avenue Milwaukee, WI 53202 ABA #075000022 Account: Northwestern Mutual Life Account No.: 182380324521 with sufficient information to identify the source of the transfer, the amount of interest, principal or premium, the series of Notes and the PPN [65473Q A@ 2 or 65473Q A# 0]	**$127,000,000 Series B Note** **$23,000,000 Series C Note**
(2) All notices of payments and written confirmations of such wire transfers: The Northwestern Mutual Life Insurance Company 720 East Wisconsin Avenue Milwaukee, WI 53202 Attention: Investment Operations Facsimile: (414) 625-6998	
(3) All other communications: The Northwestern Mutual Life Insurance Company 720 East Wisconsin Avenue Milwaukee, WI 53202 Attention: Securities Department Facsimile: (414) 665-7124	
(4) Tax identification number: 39-0509570	

NAME AND ADDRESS OF PURCHASER:

ALLSTATE LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note
$5,000,000 Series D Note

(1) All payments by Fedwire transfer of immediately available funds or ACH Payment, identifying the name of the Issuer, the Private Placement Number and the payment as principal, interest or premium, in the format as follows:

Bank:	Citibank
ABA #:	021000089
Account:	Allstate Life Insurance Company Collection Account - PP
Account #:	30547007
Reference:	OBI [Insert PPN 65473Q A* 4 / 65473Q B* 3], Credit Name, Coupon, Maturity], Payment Due Date (MM/DD/YY) and the type and amount of payment being made (e.g., for $5,000,000 of principal being remitted, enter "P5000000.00"; for $225,000 of interest being remitted, enter "I225000.00")

(2) All notices of scheduled payments and written confirmations of such wire transfer to be sent to:

Allstate Investments LLC
Investment Operations - Private Placements
3075 Sanders Road, STE G4A
Northbrook, IL 60062-7127
Telephone: (847) 402-6672 (Private Placements)
Fax: (847) 326-7032
email: PrivateIOD@allstate.com

(3) All financial reports, compliance certificates and all other written communications, including notice of prepayments, to be sent by email to PrivateCompliance@allstate.com, or hard copy to:

Allstate Investments LLC
Private Placement Department
3075 Sanders Road, STE G5D
Northbrook, IL 60062-7127
Telephone: (847) 402-7117
Fax: (847) 402-3092

(4) Tax identification number: 36-2554642

NAME AND ADDRESS OF PURCHASER:

ALLSTATE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note
$5,000,000 Series A Note
$5,000,000 Series A Note

(1) All payments by Fedwire transfer of immediately available funds or ACH Payment, identifying the name of the Issuer, the Private Placement Number and the payment as principal, interest or premium, in the format as follows:

Bank:	Citibank
ABA #:	021000089
Account:	Allstate Insurance Company Bond Collection Account
Account #:	30546979
Reference:	OBI [Insert PPN 65473Q A* 4, Credit Name, Coupon, Maturity], Payment Due Date (MM/DD/YY) and the type and amount of payment being made (e.g., for $5,000,000 of principal being remitted, enter "P5000000.00"; for $225,000 of interest being remitted, enter "I225000.00")

(2) All notices of schedule payments and written confirmations of such wire transfer to be sent to:

Allstate Investments LLC
Investment Operations - Private Placements
3075 Sanders Road, STE G4A
Northbrook, IL 60062-7127
Telephone: (847) 402-6672
Fax: (847) 326-7032
email: PrivateIOD@allstate.com

(3) All financial reports, compliance certificates and all other written communications, including notice of prepayments, to be sent by email to PrivateCompliance@allstate.com, or hard copy to:

Allstate Investments LLC
Private Placement Department
3075 Sanders Road, STE G5D
Northbrook, IL 60062-7127
Telephone: (847) 402-7117
Fax: (847) 402-3092

(4) Tax identification number: 36-0719665

NAME AND ADDRESS OF PURCHASER:

ALLSTATE LIFE INSURANCE COMPANY OF NEW YORK

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note
$5,000,000 Series A Note

(1) All payments by Fedwire transfer of immediately available funds or ACH Payment, identifying the name of the Issuer, the Private Placement Number and the payment as principal, interest or premium, in the format as follows:

Bank:	Citibank
ABA #:	021000089
Account:	Allstate Life Insurance Company of New York Collection Account
Account #:	30547066
Reference:	OBI [Insert PPN 65473Q A* 4, Credit Name, Coupon, Maturity], Payment Due Date (MM/DD/YY) and the type and amount of payment being made (e.g., for $5,000,000 of principal being remitted, enter "P5000000.00"; for $225,000 of interest being remitted, enter "I225000.00")

(2) All notices of schedule payments and written confirmations of such wire transfer to be sent to:

Allstate Investments LLC
Investment Operations - Private Placements
3075 Sanders Road, STE G4A
Northbrook, IL 60062-7127
Telephone: (847) 402-6672 (Private Placements)
Fax: (847) 326-7032
email: PrivateIOD@allstate.com

(3) All financial reports, compliance certificates and all other written communications, including notice of prepayments, to be sent by email to PrivateCompliance@allstate.com, or hard copy to:

Allstate Investments LLC
Private Placement Department
3075 Sanders Road, STE G5D
Northbrook, IL 60062-7127
Telephone: (847) 402-7117
Fax: (847) 402-3092

(4) Tax identification number: 36-2608394

NAME AND ADDRESS OF PURCHASER:

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$35,000,000 Series A Note
$65,000,000 Series D Note

(1) All payments on account of the Notes shall be made in immediately available funds at the opening of business on the due date by electronic funds transfer, properly identified through the Automated Clearing House System to the following account, and all such payments shall be accompanied by the notices specified in paragraph (2) below:

JPMorgan Chase Bank, N.A.
ABA #021-000-021
Account Number: 900-9-000200
Account Name: TIAA
For Further Credit to the Account Number: G07040
On order of: PPN 65473Q A* 4 (Series A Note); PPN 65473Q B* 3 (Series D Note) / NiSource Finance Corp.
Maturity Date: [November 28, 2012/November 28, 2025]/
Interest Rate: [5.21/5.89%] / P&I Breakdown

(2) Contemporaneous with the above electronic funds transfer send the following information: (1) the full name, PPN, interest rate and maturity date of the Notes; (2) the allocation of payment between principal, interest, Make-Whole Amount, other premium or any special payment; and (3) the name and address of the bank from which such transfer was sent, to:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attn: Securities Accounting Division
Telephone: (212) 916-4109
Facsimile: (212) 916-6955

AND

JPMorgan Chase Bank, N.A.
P.O. Box 35308
Newark, NJ 07101

AND

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attn: Fixed Income and Real Estate
Telephone: (212) 916-5725 (Estelle Simsolo)
(212) 916-4000 (General Number)
Facsimile: (212) 916-6582

(3) All other communications:

Teachers Insurance and Annuity Association of America
730 Third Avenue
New York, New York 10017
Attn: Fixed Income and Real Estate
Telephone: (212) 916-5725 (Estelle Simsolo)
(212) 916-4000 (General Number)
Facsimile: (212) 916-6582

(4) Tax identification number: 13-1624203

NAME AND ADDRESS OF PURCHASER:	PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:
AMERICAN MAYFLOWER LIFE INSURANCE COMPANY OF NEW YORK	
Note to be registered in the name of "HARE & CO."	**$5,000,000 Series C Note**

(1) All payments by wire transfer of immediately available funds to:

Hare & Co.
The Bank of New York
ABA #021000018
Account Number/Beneficiary: GLA111566
SWIFT Code: IRVTUS3N
Bank to Bank Information: American Mayflower Life Insurance Company of New York, Account #127677, PPN 65473Q A# 0 & Security Description, and Identify Principal & Interest Amounts

(2) All notices of payments and written confirmations of such wire transfers:

Genworth Financial
Account: American Mayflower Life Insurance Company of New York
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
GNW.privateplacements@genworth.com (in addition to physical copy)

AND

State Street
Account: American Mayflower Life Insurance Company of New York
801 Pennsylvania
Kansas City, MO 64105
Attn: Tammy Karn
Telephone No.: (816) 871-9286
Fax No.: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

AND

Hare & Co.
The Bank of New York
Income Collection Department
P.O. Box 11203
New York, NY 10286
Attn: PP P&I Department
Ref: American Mayflower Life Insurance Company of New York
Account # 127677, PPN 65473Q A# 0 and Security Description
P&I Contact: Anthony Largo – (718) 315-3022

(3) All other communications:

Genworth Financial
Account: American Mayflower Life Insurance Company of New York
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
GNW.privateplacements@genworth.com (in addition to physical copy)

(4) Tax identification number: 13-5660550

NAME AND ADDRESS OF PURCHASER:

FIRST COLONY LIFE INSURANCE COMPANY

Notes to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series C Note
$30,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA #021000018
Account Number/Beneficiary: GLA111566
SWIFT Code: IRVTUS3N
Bank to Bank Information: First Colony Life Insurance Company, Account #127679, PPN [65473Q A# 0 / 65473Q B* 3] & Security Description, and Identify Principal & Interest Amounts

(2) All notices of payments and written confirmations of such wire transfers:

Genworth Financial
Account: First Colony Life Insurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
GNW.privateplacements@genworth.com (in addition to physical copy)

AND

State Street
Account: First Colony Life Insurance Company
801 Pennsylvania
Kansas City, MO 64105
Attn: Tammy Karn
Telephone No.: (816) 871-9286
Fax No.: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

AND

Hare & Co.
The Bank of New York
Income Collection Department
P.O. Box 11203
New York, NY 10286
Attn: PP P&I Department
Ref: First Colony Life Insurance Company
Account #127679, PPN [65473Q A# 0 / 65473Q B* 3] and
Security Description
P&I Contact: Anthony Largo – (718) 315-3022

(3) All other communications:

Genworth Financial
Account: First Colony Life Insurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
GNW.privateplacements@genworth.com (in addition to physical copy)

(4) Tax identification number: 54-0596414

NAME AND ADDRESS OF PURCHASER:

GE CAPITAL LIFE ASSURANCE COMPANY OF NEW YORK

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

Hare & Co.
The Bank of New York
ABA #021000018
Account Number/Beneficiary: GLA111566
SWIFT Code: IRVTUS3N
Bank to Bank Information: GE Capital Life Assurance Company of New York, Account #127019, PPN 65473Q A* 4 & Security Description, and Identify Principal & Interest Amounts

(2) All notices of payments and written confirmations of such wire transfers:

Genworth Financial
Account: GE Capital Life Assurance Company of New York
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
If available, please send an electronic copy to
GNW.privateplacements@genworth.com

AND

State Street
Account: GE Capital Life Assurance Company of New York
801 Pennsylvania
Kansas City, MO 64105
Attn: Tammy Karn
Telephone No.: (816) 871-9286
Fax No.: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

AND

Hare & Co.
The Bank of New York
Income Collection Department
P.O. Box 11203
New York, NY 10286
Attn: PP P&I Department
Ref: GE Capital Life Assurance Company of New York,
Account #127019, PPN 65473Q A* 4 and Security Description
P&I Contact: Anthony Largo – (718) 315-3022

(3) All other communications:

Genworth Financial
Account: GE Capital Life Assurance Company of New York
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
If available, please send an electronic copy to
GNW.privateplacements@genworth.com

(4) Tax identification number: 22-2882416

NAME AND ADDRESS OF PURCHASER:

GENERAL ELECTRIC CAPITAL ASSURANCE COMPANY

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$15,000,000 Series A Note
$10,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA #021000018
Account Number/Beneficiary: GLA111566
SWIFT Code: IRVTUS3N
Attn: PP P & I DEPARTMENT
Bank to Bank Information: General Electric Capital Assurance Company, Account #127459, PPN [65473Q A* 4 / 65473Q B* 3] & Security Description, and Identify Principal & Interest Amounts

(2) All notices of payments and written confirmations of such wire transfers:

Genworth Financial
Account: General Electric Capital Assurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
If available, please send an electronic copy to
GNW.privateplacements@genworth.com

AND

State Street
Account: General Electric Capital Assurance Company
801 Pennsylvania
Kansas City, MO 64105
Attn: Tammy Karn
Telephone No.: (816) 871-9286
Fax No.: (816) 691-5593
geam@statestreetkc.com (preferred delivery method)

AND

Hare & Co.
The Bank of New York
Income Collection Department
P.O. Box 11203
New York, NY 10286
Attn: PP P&I Department
Ref: General Electric Capital Assurance Company
Account #127459, PPN [65473Q A* 4 / 65473Q B* 3] and
Security Description
P&I Contact: Anthony Largo – (718) 315-3022

(3) All other communications:

Genworth Financial
Account: General Electric Capital Assurance Company
601 Union Street, Suite 2200
Seattle, WA 98101
Attn: Private Placements
Telephone No: (206) 516-4515
Fax No: (206) 516-4578
If available, please send an electronic copy to
GNW.privateplacements@genworth.com

(4) Tax identification number: 91-6027719

NAME AND ADDRESS OF PURCHASER:

RELIASTAR LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$7,000,000 Series A Note
$5,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA#: 021000018
BFN: IOC 566/INST'L CUSTODY (for principal and interest payments)
BFN: IOC 565/INST'L CUSTODY (for all other payments)
Ref.: ReliaStar Life Insurance Company, Acct. No. 187035 and PPN 65473Q A* 4

Each such wire transfer shall set forth the name of the Issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN 65473Q A* 4, and the due date and application (as among principal, premium and interest) of the payment being made.

(2) All notices of payments and written confirmations of such wire transfers:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Operations/Settlements
Fax: (770) 690-4886

(3) All other communications:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Private Placements
Fax: (770) 690-5057

(4) Tax identification number: 41-0451140

NAME AND ADDRESS OF PURCHASER:

ING USA ANNUITY AND LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA#: 021000018
BFN: IOC 566/INST'L CUSTODY (for principal and interest payments)
BFN: IOC 565/INST'L CUSTODY (for all other payments)
Ref.: ING USA Annuity and Life Insurance Co., Acct. No. 136373 and PPN 65473Q A* 4

Each such wire transfer shall set forth the name of the Issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN 65473Q A* 4, and the due date and application (as among principal, premium and interest) of the payment being made.

(2) All notices of payments and written confirmations of such wire transfers:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Operations/Settlements
Fax: (770) 690-4886

(3) All other communications:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Private Placements
Fax: (770) 690-5057

(4) Tax identification number: 41-0991508

NAME AND ADDRESS OF PURCHASER:

SECURITY LIFE OF DENVER INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$9,000,000 Series A Note
$9,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA#: 021000018
BFN: IOC 566/INST'L CUSTODY (for principal and interest payments)
BFN: IOC 565/INST'L CUSTODY (for all other payments)
Attn: P&I Department
Ref.: Security Life of Denver Insurance Company, Acct. No. 178157 and PPN 65473Q A* 4

Each such wire transfer shall set forth the name of the Issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN 65473Q A* 4, and the due date and application (as among principal, premium and interest) of the payment being made.

(2) All notices of payments and written confirmations of such wire transfers:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Operations/Settlements
Fax: (770) 690-4886

(3) All other communications:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Private Placements
Fax: (770) 690-5057

(4) Tax identification number: 84-0499703

NAME AND ADDRESS OF PURCHASER:

ING LIFE INSURANCE AND ANNUITY COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$15,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
ABA#:021000018
BFN: IOC 566/INST'L CUSTODY (for principal and interest payments)
BFN: IOC 565/INST'L CUSTODY (for all other payments)
Attn: P&I Department
Ref.: ING Life Insurance and Annuity Company, Acct. No. 216101 and PPN 65473Q A* 4

Each such wire transfer shall set forth the name of the Issuer, the full title (including the coupon rate, issuance date, and final maturity date) of the Notes on account of which such payment is made, a reference to the PPN 65473Q A* 4, and the due date and application (as among principal, premium and interest) of the payment being made.

(2) All notices of payments and written confirmations of such wire transfers:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Operations/Settlements
Fax: (770) 690-4886

(3) All other communications:

ING Investment Management LLC
5780 Powers Ferry Road, NW, Suite 300
Atlanta, GA 30327-4349
Attn: Private Placements
Fax: (770) 690-5057

(4) Tax identification number: 71-0294708

NAME AND ADDRESS OF PURCHASER:

ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA

ATTN: Private Placements
c/o Allianz of America, Inc.
55 Greens Farms Road
P.O. Box 5160
Westport, Connecticut 06881- 5160
Telephone No.: (203) 221- 8580
Fax No.: (203) 221- 8539
E-mail: blandry@azoa.com

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$25,000,000 Series B Note
$25,000,000 Series D Note

Note to be registered in the name of "MAC & CO."

(1) All payments on or in respect of the Certificates to be made by bank wire transfer of Federal or other immediately available funds to:

MAC&CO
ABA# 011001234
DDA 125261
Cost Center 1253
Reference: PPN [65473Q A@ 2 / 65473Q B* 3], Principal & Interest Breakdown, Account Number and Nominee Name in wire

(2) All notices or statements with respect to payments and written confirmation of each such payment, including interest payments, redemptions, premiums, make wholes, and fees should be addressed as first shown above with additional copies to:

Allianz of America, Inc.
Attn: Private Placements
55 Greens Farms Road
P.O. Box 5160
Westport, Connecticut 06881- 5160
Telephone No.: (203) 221- 8580
Fax No.: (203) 221- 8539
E-mail: blandry@azoa.com

AND

Kathy Muhl
Supervisor - Income Group
Mellon Bank, N.A.
Three Mellon Center - Room 3418
Pittsburgh, Pennsylvania 15259
Telephone No.: (412) 234-5192
E-mail: muhl.kl@mellon.com

(3) All other notices and communications (including original note agreement, conformed copy of the note agreement, amendment requests, financial statements) to:

Allianz Life Insurance Company of North America
ATTN: Private Placements
c/o Allianz of America, Inc.
55 Greens Farms Road
P.O. Box 5160
Westport, Connecticut 06881- 5160
Telephone No.: (203) 221- 8580
Fax No.: (203) 221- 8539
With electronic copy, if available, to blandry@azoa.com.

(4) Tax identification number: 41-1366075

NAME AND ADDRESS OF PURCHASER:

NEW YORK LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$12,000,000 Series A Note
$16,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York 10019
ABA No. 021-000-021
Credit: New York Life Insurance Company
General Account No. 008-9-00687

with sufficient information (including issuer, PPN [65473Q A* 4 / 65473Q B* 3] interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

(2) With advice of such payments to:

New York Life Insurance Company
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Financial Management
Securities Operations, 2nd Floor
Fax #: (212) 447-4160
With a copy sent electronically to: SIGLibrary@nylim.com

(3) All other communications:

New York Life Insurance Company
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010
Attention: Securities Investment Group
Private Finance, 2nd Floor
Fax #: (212) 447-4122
With a copy sent electronically to: SIGLibrary@nylim.com

AND

A copy of any notices regarding defaults or Events of Default under the operative documents to:

New York Life Insurance Company
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010
Attention: Office of General Counsel
Investment Section, Room 1104
Fax #: (212) 576-8340

(4) Tax identification number: 13-5582869

NAME AND ADDRESS OF PURCHASER:

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$7,000,000 Series A Note
$4,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA No. 021-000-021
Credit: New York Life Insurance and Annuity Corporation
General Account No. 323-8-47382

with sufficient information (including issuer, PPN [65473Q A* 4 / 65473Q B* 3], interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

(2) With advice of such payments to:

New York Life Insurance and Annuity Corporation
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Financial Management
Securities Operation, 2nd Floor
Fax #: (212) 447-4160
With a copy sent electronically to: SIGLibrary@nylim.com

(3) All other communications to:

New York Life Insurance and Annuity Corporation
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Securities Investment Group
Private Finance, 2nd Floor
Fax #: (212) 447-4122
With a copy sent electronically to: SIGLibrary@nylim.com

AND

A copy of any notices regarding defaults or Events of Default under the operative documents to:

New York Life Insurance and Annuity Corporation
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Office of General Counsel
Investment Section, Room 1104
Fax #: (212) 576-8340

(4) Tax identification number: 13-3044743

NAME AND ADDRESS OF PURCHASER:

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$500,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA No. 021-000-021
Credit: NYLIAC SEPARATE BOLI 3 BROAD FIXED
General Account No. 323-8-39002

with sufficient information (including issuer, PPN 65473Q A* 4, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

(2) With advice of such payments to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Financial Management
Securities Operation, 2nd Floor
Fax #: (212) 447-4160
With a copy sent electronically to: SIGLibrary@nylim.com

(3) All other communications to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Securities Investment Group
Private Finance, 2nd Floor
Fax #: (212) 447-4122
With a copy sent electronically to: SIGLibrary@nylim.com

AND

A copy of any notices regarding defaults or Events of Default under the operative documents to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Office of General Counsel
Investment Section, Room 1104
Fax #: (212) 576-8340

(4) Tax identification number: 13-3044743

NAME AND ADDRESS OF PURCHASER:

NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

(1) All payments by wire transfer of immediately available funds to:

$500,000 Series A Note

JPMorgan Chase Bank
New York, New York
ABA No. 021-000-021
Credit: NYLIAC SEPARATE BOLI 3-2
General Account No. 323-9-56793

with sufficient information (including issuer, PPN 65473Q A* 4, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

(2) With advice of such payments to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Financial Management
Securities Operation, 2nd Floor
Fax #: (212) 447-4160
With a copy sent electronically to: SIGLibrary@nylim.com

(3) All other communications to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Securities Investment Group
Private Finance, 2nd Floor
Fax #: (212) 447-4122
With a copy sent electronically to: SIGLibrary@nylim.com

AND

A copy of any notices regarding defaults or Events of Default under the operative documents to:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010-1603
Attention: Office of General Counsel
Investment Section, Room 1104
Fax #: (212) 576-8340

(4) Tax identification number: 13-3044743

NAME AND ADDRESS OF PURCHASER:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

Note to be registered in the name of "CIG & CO."

(1) All payments by wire transfer of immediately available funds to:

J.P. Morgan Chase Bank
BNF=CIGNA Private Placements/AC=9009001802
ABA# 021000021
OBI=[name of company; description of security; interest rate, maturity date; PPN [65473Q A@ 2 / 65473Q A# 0]

(2) All notices of payments and written confirmations of such wire transfers:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Fixed Income Securities, H16B
280 Trumbull Street
Hartford, CT 06103
FAX: 860-727-8024

AND

J.P. Morgan Chase Bank
14201 Dallas Parkway, 13th Floor
Dallas, TX 75254
Attention: Heather Frisina, Mail Code 300-116
FAX: 469-477-1904

(3) All other communications:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Fixed Income Securities, H16B
280 Trumbull Street
Hartford, CT 06103
FAX: 860-727-8024

(4) Tax identification number: 13-3574027

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series B Note (CGL/RAA)
$2,000,000 Series B Note (CGL/RE)
$3,000,000 Series B Note (CGL/STK)
$2,000,000 Series B Note (SABOLI)
$2,000,000 Series B Note (SAHUNT)
$1,000,000 Series B Note (SAKEYCO)
$5,400,000 Series C Note (CGL/CGS)
$2,000,000 Series C Note (CGL/LEV)
$3,400,000 Series C Note (CGL/RE)
$2,200,000 Series C Note (SAHUNT)

NAME AND ADDRESS OF PURCHASER:

LIFE INSURANCE COMPANY OF NORTH AMERICA

Note to be registered in the name of "CIG & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,000,000 Series B Note (LINA)
$2,000,000 Series C Note (LINA)

(1) All payments by wire transfer of immediately available funds to:

J.P. Morgan Chase Bank
BNF=CIGNA Private Placements/AC=9009001802
ABA# 021000021
OBI=[name of company; description of security; interest rate, maturity date; PPN [65473Q A@ 2 / 65473Q A# 0]]

(2) All notices of payments and written confirmations of such wire transfers:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Fixed Income Securities, H16B
280 Trumbull Street
Hartford, CT 06103
FAX: 860-727-8024

AND

J.P. Morgan Chase Bank
14201 Dallas Parkway, 13th Floor
Dallas, TX 75254
Attention: Heather Frisina, Mail Code 300-116
FAX: 469-477-1904

(3) All other communications:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Fixed Income Securities, H16B
280 Trumbull Street
Hartford, CT 06103
FAX: 860-727-8024

(4) Tax identification number: 13-3574027

NAME AND ADDRESS OF PURCHASER:

PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY

Note to be registered in the name of "CUDD & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

CUDD & CO.
c/o JP Morgan Chase Bank
New York, NY
ABA No. 021 000 021
SSG Private Income Processing
A/C #900-9-000200
Custodial Account No. G06704

Reference: Issuer, PPN 65473Q B* 3, Coupon, Maturity, Principal and Interest

(2) Address all notices regarding payments and all other communications to:

Provident Investment Management, LLC
Private Placements
One Fountain Square
Chattanooga, Tennessee 37402
Telephone: (423) 294-1172
Fax: (423) 294-3351

(3) Tax Identification Number: 13-6022143 (CUDD & CO.)

NAME AND ADDRESS OF PURCHASER:

UNUM LIFE INSURANCE COMPANY OF AMERICA

Note to be registered in the name of "CUDD & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$10,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

CUDD & CO.
c/o JP Morgan Chase Bank
New York, NY
ABA No. 021 000 021
SSG Private Income Processing
A/C #900-9-000200
Custodial Account No. G09470

Reference: Issuer, PPN 65473Q B* 3, Coupon, Maturity, Principal and Interest

(2) Address all notices regarding payments and all other communications to:

Provident Investment Management, LLC
Private Placements
One Fountain Square
Chattanooga, Tennessee 37402
Telephone: (423) 294-1172
Fax: (423) 294-3351

(3) Tax Identification Number: 13-6022143 (CUDD & CO.)

NAME AND ADDRESS OF PURCHASER:

FIRST UNUM LIFE INSURANCE COMPANY

Note to be registered in the name of "CUDD & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$10,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

CUDD & CO.
c/o JP Morgan Chase Bank
New York, NY
ABA No. 021 000 021
SSG Private Income Processing
A/C #900-9-000200
Custodial Account No. G08289

Reference: Issuer, PPN 65473Q B* 3, Coupon, Maturity, Principal and Interest

(2) Address all notices regarding payments and all other communications to:

Provident Investment Management, LLC
Private Placements
One Fountain Square
Chattanooga, Tennessee 37402
Telephone: (423) 294-1172
Fax: (423) 294-3351

(3) Tax Identification Number: 13-6022143 (CUDD & CO.)

NAME AND ADDRESS OF PURCHASER:

COLONIAL LIFE & ACCIDENT INSURANCE COMPANY

Note to be registered in the name of "CUDD & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$15,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

CUDD & CO.
c/o JP Morgan Chase Bank
New York, NY
ABA No. 021 000 021
SSG Private Income Processing
A/C #900-9-000200
Custodial Account No. G08292

Reference: Issuer, PPN 65473Q B* 3, Coupon, Maturity, Principal and Interest

(2) Address all notices regarding payments and all other communications to:

Provident Investment Management, LLC
Private Placements
One Fountain Square
Chattanooga, Tennessee 37402
Telephone: (423) 294-1172
Fax: (423) 294-3351

(3) Tax Identification Number: 13-6022143 (CUDD & CO.)

NAME AND ADDRESS OF PURCHASER:

TRANSAMERICA OCCIDENTAL LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$35,000,000 Series A Note

(1) All payments on account of the TRANSAMERICA OCCIDENTAL LIFE INSURANCE COMPANY shall be made by wire transfer of immediately available funds. Wire instructions should include source and application of funds (principal and/or interest amount) along with security/issuer description and PPN 65473Q A* 4 to:

Boston Safe Deposit Trust
ABA# - 011001234
Credit DDA Account #125261
Attn: MBS Income, cc1253
Custody account # TRAF1515002
FC TOLIC Private

(2) All notices of payments and written confirmations of such wire transfers:

Email: paymentnotifications@aegonusa.com
AEGON USA Investment Management, LLC
Attn: Custody Operations-Privates
4333 Edgewood Road NE
Cedar Rapids, IA 52499-7013

(3) All other communications:

AEGON USA Investment Management, LLC
Attn: Fred Howard - Private Placements
400 West Market Street, 10th Floor
Louisville, KY 40202
Phone: 502-560-2149
Fax: 502-560-2030

AND

AEGON USA Investment Management, LLC
Attn: Director of Private Placements
4333 Edgewood Road N.E.
Cedar Rapids, IA 52499-5335
Phone: 319-369-2432
Fax: 319-369-2666

(4) Tax identification number: 95-1060502

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$7,400,000 Series B Note
$5,300,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual Unified Traditional
Account Name: MassMutual BA 0033 TRAD Private ELBX
Account No. 30566056
Re: Description of security, PPN [65473Q A@ 2 / 65473Q A# 0], principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,950,000 Series B Note
$3,000,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual Pension Management
Account No. 30510538
Re: Description of security, PPN [65473Q A@ 2 / 65473Q A# 0], principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,250,000 Series B Note
$2,200,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual DI
Account Name: MassMutual BA 0038 DI Private ELBX
Account No. 30566064
Re: Description of security, PPN [65473Q A@ 2 / 65473Q A# 0], principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,300,000 Series B Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as NiSource Finance Corp., 5.36% Senior Notes Series B due 2015, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual DI
Account Name: MassMutual IFM Non-Traditional
Account No. 30510589
Re: Description of security, PPN 65473Q A@ 2, principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For MassMutual Structured Settlement Fund
Account No. 30510634
Re: Description of security, PPN 65473Q A# 0, principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Massachusetts Mutual Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 04-1590850

NAME AND ADDRESS OF PURCHASER:

C.M. LIFE INSURANCE COMPANY
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,250,000 Series B Note
$1,600,000 Series C Note

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Citibank, N.A.
New York, NY
ABA No. 021000089
For CM Life Segment 43 - Universal Life
Account No. 30510546
Re: Description of security, PPN [65473Q A@ 2 / 65473Q A# 0], principal and interest split

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

C.M. Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

C.M. Life Insurance Company
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

(4) Tax identification number: 06-1041383

NAME AND ADDRESS OF PURCHASER:

MASSMUTUAL ASIA LIMITED
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$850,000 Series B Note
$900,000 Series C Note

Notes to be registered in the name of "GERLACH & CO."

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as either (a) NiSource Finance Corp., 5.36% Senior Notes Series B due 2015 or (b) NiSource Finance Corp., 5.41% Senior Notes Series C due 2016, interest and principal), to:

Gerlach & Co.
c/o Citibank, N.A.
New York, NY
ABA No. 021000089
Concentration Account 36112805
Attention: Judy Rock
Re: MassMutual Asia
Name of Security/ PPN [65473Q A@ 2 / 65473Q A# 0]

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

MassMutual Asia Limited
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

MassMutual Asia Limited
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

Corporate Action Notification to:

Citigroup Global Securities Services
Attention: Corporate Action Dept.
3800 Citibank Center Tampa
Building B Floor 3
Tampa, FL 33610-9122

(4) Tax identification number: N/A

NAME AND ADDRESS OF PURCHASER:

HAKONE FUND LLC
c/o Babson Capital Management LLC
1500 Main Street, Attn: Securities Investment Division
Springfield, MA 01115

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,000,000 Series B Note

Note to be registered in the name of "GERLACH & CO."

(1) All payments on account of the Note shall be made by crediting in the form of bank wire transfer of Federal or other immediately available funds, (identifying each payment as NiSource Finance Corp., 5.36% Senior Notes Series B due 2015, interest and principal), to:

Gerlach & Co.
c/o Citibank, N.A.
New York, NY
ABA No. 021000089
Concentration Account 36112805
FFC: Account # 850481
Re: Currency Hedged Investment Vehicle
Ref: PPN 65473Q A@ 2, Name of Security

With telephone advice of payment to the Securities Custody and Collection Department of Babson Capital Management LLC at (413) 226-1889 or (413) 226-1803

(2) All notices of payments and written confirmations of such wire transfers:

Hakone Fund LLC
c/o Babson Capital Management LLC
1500 Main Street, Suite 800
Springfield, MA 01115
Attention: Securities Custody and Collection Department

(3) All other communications:

Hakone Fund LLC
c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Attn: Securities Investment Division

Corporate Action Notification to:

Citigroup Global Securities Services
Attention: Corporate Action Dept.
3800 Citibank Center Tampa
Building B Floor 3
Tampa, FL 33610-9122

(4) Tax identification number: N/A

NAME AND ADDRESS OF PURCHASER:

JACKSON NATIONAL LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$15,000,000 Series A Note (JNL-41)
$10,000,000 Series A Note (JNL-MVA)

(1) Please wire all payments as follows. To ensure accurate and timely posting of principal and interest, please include all relevant information on the wire.

The Bank of New York
ABA # 021-000-018
BNF Account #: IOC566
FBO: Jackson National Life
Ref: PPN 65473Q A* 4, Description, and Breakdown (P&I)

(2) All notices of payments and written confirmations of such wire transfers:

Jackson National Life Insurance Company
C/O The Bank of New York
Attn: P&I Department
P. O. Box 19266
Newark, New Jersey 07195
Phone: (718) 315-3035, Fax: (718) 315-3076

(3) All other communications:

PPM America, Inc.
225 West Wacker Drive, Suite 1100
Chicago, IL 60606-1228
Attn: Private Placements – Mark Staub
Phone: (312) 634-1212, Fax: (312) 634-0054

AND

Jackson National Life Insurance Company
225 West Wacker Drive, Suite 1100
Chicago, IL 60606-1228
Attn: Investment Accounting – Mark Stewart
Phone: (312) 338-5832, Fax: (312) 236-5224

(4) Tax identification number: 38-1659835

NAME AND ADDRESS OF PURCHASER:

THRIVENT FINANCIAL FOR LUTHERANS

Notes to be registered in the name of "SWANBIRD & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$25,000,000 Series A Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to

ABA # 011000028
State Street Bank & Trust Co.
DDA # A/C – 6813-049-1
Fund Number: NCE1
Fund Name: Thrivent Financial for Lutherans

Referencing Security Description, PPN 65473Q A* 4, Purpose of Payment, Interest and/or Principal Breakdown

(2) Notices of payments and written confirmation of such wire transfers to:

Investment Division
Thrivent Financial for Lutherans
625 Fourth Avenue North
Minneapolis MN 55415
Fax: 612-340-5776

AND

Thrivent Accounts
State Street Kansas City
801 Pennsylvania
Kansas City, MO 64105
Attention: Bart Woodson
Fax: 816-691-3610

(3) All other communications to:

Thrivent Financial for Lutherans
Attn: Investment Division
625 Fourth Avenue South
Minneapolis, MN 55415
Fax: (612) 340-5776

(4) Tax identification number: 39-0123480

NAME AND ADDRESS OF PURCHASER:

PROTECTIVE LIFE INSURANCE COMPANY
2801 Hwy. 280 South
Birmingham, AL 35223

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$25,000,000 Series B Note

(1) All payments by wire transfer of immediately available funds to:

Bank of NYC
Custody Account Number: 0000294412
Account Name: PROTECTIVE LIFE INSURANCE CO. (Ordinary)
ABA #021000018
REF: _____

with sufficient information to identify the source and application of such funds (PPN 65473Q A@ 2).

(2) All notices of payments and written confirmations of such wire transfers:

Protective Life Insurance Co.
% Investment Department
Attn: Belinda Bradley
P. O. Box 2606
Birmingham, AL 35202

(3) All other communications:

Protective Life Insurance Co.
% Investment Department
Attn: Belinda Bradley
P. O. Box 2606
Birmingham, AL 35202

(4) Tax identification number: 63-0169720

NAME AND ADDRESS OF PURCHASER:

AMERICAN REPUBLIC INSURANCE COMPANY

Note to be registered in the name of "WELLS FARGO BANK, N.A. FBO AMERICAN REPUBLIC INSURANCE COMPANY"

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Wells Fargo Bank, N.A.
ABA #121000248
BNFA=0000840245 (include all 10 digits)
BNF=Trust Wire Clearing
FFC Attn: Income Collections, a/c #20983400
(add additional information such as PPN 65473Q A# 0 and P&I)
For further credit to: American Republic Insurance Co.
Account Number: 20983400

Also, please reference sufficient information to identify the source and application of such funds.

(2) All notices and statements should be sent to the following address:

American Republic Insurance Company
c/o Advantus Capital Management Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 42-0113630

NAME AND ADDRESS OF PURCHASER:

BLUE CROSS AND BLUE SHIELD OF FLORIDA, INC.

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

BK of NYC
ABA: 021000018
BBK=IOC 363
Account: 531463
Name on Acct: Blue Cross and Blue Shield of Florida, Inc.

Also, please reference sufficient information to identify the source and application of such funds (PPN 65473Q A# 0).

(2) All notices and statements should be sent to the following address:

Blue Cross and Blue Shield of Florida, Inc.
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 59-2015694

NAME AND ADDRESS OF PURCHASER:

THE CATHOLIC AID ASSOCIATION

Note to be registered in the name of "WELLS FARGO BANK, N.A. FBO THE CATHOLIC AID ASSOCIATION"

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Wells Fargo Bank N.A.
ABA #: 121000248
BNFA: 0000840245 (must use all 10 digits)
Beneficiary Acct Name: Trust Wire Clearing
Wells Fargo Acct Name: The Catholic Aid Association
Wells Fargo Acct #: 15313201
Contact Name: Linh Nguyen (612) 667-7197

Also, please reference sufficient information to identify the source and application of such funds (PPN 65473Q A# 0).

(2) All notices and statements should be sent to the following address:

The Catholic Aid Association
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 41-0182070

NAME AND ADDRESS OF PURCHASER:

THE LAFAYETTE LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series D Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

JPMorgan Chase Bank
ABA 021-000-021
SWIFT Address: CHASUS33
Account 631557105
Beneficiary: Lafayette Life Insurance Company

Also, please reference sufficient information to identify the source and application of such funds (PPN 65473Q B* 3).

(2) All notices and statements should be sent to the following address:

The Lafayette Life Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 35-0457540

NAME AND ADDRESS OF PURCHASER:

MINNESOTA LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Mellon Bank, Pittsburgh, PA
ABA#: 011001234
DDA#: 048771
Account Name: Minnesota Life Insurance Company
Account #: ADFF0106002
Cost Code: 1167
Ref: Issuer, Rate, Maturity, PPN 65473Q A# 0, P&I Breakdown

(2) All notices and statements should be sent to the following address:

Minnesota Life Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 41-0417830

NAME AND ADDRESS OF PURCHASER:	PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:
MTL INSURANCE COMPANY Note to be registered in the name of "ELL & CO."	**$2,000,000 Series D Note**

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

The Northern Chgo/Trust
ABA #071-000-152
For credit to: Account Number: 5186041000
For further credit to: MTL Insurance Company
Account Number: 26-00621
Attn: Income Collections

Also, please reference sufficient information to identify the source and application of such funds (PPN 65473Q B* 3).

(2) All notices and statements should be sent to the following address:

MTL Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 36-1516780

NAME AND ADDRESS OF PURCHASER:

THE RELIABLE LIFE INSURANCE COMPANY

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,000,000 Series B Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Interest:
ABA # 021000018
Bank of New York
GLA # 111 - 363
PPN 65473Q A@ 2
Custody Account # 276073
Custody Account Name: The Reliable Life Insurance Co

Principal:
ABA #021000018
Bank of New York
GLA # 111 - 566
PPN 65473Q A@ 2
Custody Account # 276073
Custody Account Name: The Reliable Life Insurance Co

Amendment:
ABA # 021000018
Bank of New York
GLA # 111-565
PPN 65473Q A@ 2
Custody Account # 276073
Custody Account Name: The Reliable Life Insurance Co.

(2) All notices and statements should be sent to the following address:

The Reliance Life Insurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 43-0476110

NAME AND ADDRESS OF PURCHASER:

UNITED INSURANCE COMPANY OF AMERICA

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series B Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Interest:
ABA # 021000018
Bank of New York
GLA # 111 – 363
PPN 65473Q A@ 2
Custody Account # 367937
Custody Account Name: United Ins Co of America

Principal:
ABA #021000018
Bank of New York
GLA # 111 – 566
PPN 65473Q A@ 2
Custody Account # 367937
Custody Account Name: United Ins Co of America

Amendment:
ABA #021000018
Bank of New York
GLA # 111 – 565
PPN 65473Q A@ 2
Custody Account # 367937
Custody Account Name: United Ins Co of America

(2) All notices and statements should be sent to the following address:

United Insurance Company of America
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 36-1896670

NAME AND ADDRESS OF PURCHASER:

WESTERN UNITED LIFE ASSURANCE COMPANY

Note to be registered in the name of "WELLS FARGO BANK, N.A. FBO WESTERN UNITED LIFE ASSURANCE COMPANY"

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$2,000,000 Series C Note

(1) All payments on account of the Notes shall be made by wire transfer of immediately available funds to:

Wells Fargo Bank, N.A.
ABA #121000248
BNFA=0000840245 (include all 10 digits)
BNF=Corporate Trust Clearing
FFC Attn: Income Collections, a/c #16700300
(add additional information such as PPN 65473Q A# 0 and P&I)
For further credit to: Western United Life Assurance Co.
Account Number: 16700300

Also, please reference sufficient information to identify the source and application of such funds.

(2) All notices and statements should be sent to the following address:

Western United Life Assurance Company
c/o Advantus Capital Management, Inc.
400 Robert Street North
St. Paul, MN 55101
Attn: Client Administrator

(3) Tax identification number: 91-0756069

NAME AND ADDRESS OF PURCHASER:

HARTFORD ACCIDENT AND INDEMNITY COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note
$5,000,000 Series A Note
$4,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

JP Morgan Chase
4 New York Plaza
New York New York 10004
Bank ABA No. 021000021
Chase NYC/Cust
A/C # 900-9-000200 for F/C/T G06239-HAI
Attn: Bond Interest /Principal - NiSource Finance Corp 5.21%
Senior Unsecured Notes Due November 28, 2012
PPN 65473Q A* 4 Prin $_____ Int $_____

(2) All notices of payments and written confirmations of such wire transfers:

Hartford Investment Management Company
c/o Portfolio Support
Regular mailing address:
P.O. Box 1744
Hartford, CT 06144-1744
Overnight mailing address:
55 Farmington Avenue
Hartford, Connecticut 06105
Telefacsimile: (860) 297-8875/8876

(3) All other communications:

Hartford Investment Management Company
c/o Investment Department-Private Placements
Regular mailing address:
P.O. Box 1744
Hartford, CT 06144-1744
Overnight mailing address:
55 Farmington Avenue
Hartford, Connecticut 06105

(4) Tax identification number: 06-0383030

NAME AND ADDRESS OF PURCHASER:

PHYSICIANS LIFE INSURANCE COMPANY

Note to be registered in the name of "ELL & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$500,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

Custodian:	The Northern Trust Company
DTC Number:	2669
Institutional I.D.:	26724
ABA Number:	071000152
Agent Bank I.D.:	20290
Internal Account:	26-27103 (PLIC LIFE - Hartford)
Attn:	Bond Interest / Principal - NiSource Finance Corp. 5.21% Senior Series A Due November 28, 2012 (PPN 65473Q A* 4)

(2) All notices of payments and written confirmations of such wire transfers:

Physicians Life Insurance Company
Attention: Steven Scanlan
2600 Dodge Street
Omaha, NE 68131
Facsimile: (402) 633-1096

(3) All other communications:

Hartford Investment Management Company
c/o Investment Department-Private Placements
Regular mailing address:
P.O. Box 1744
Hartford, CT 06144-1744
Overnight mailing address:
55 Farmington Avenue
Hartford, Connecticut 06105
Telefacsimile: (860) 297-8884

(4) Tax identification number: 47-0529583

NAME AND ADDRESS OF PURCHASER:

PHYSICIANS LIFE INSURANCE COMPANY

Notes to be registered in the name of "ELL & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,500,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

Custodian:	The Northern Trust Company
DTC Number:	2669
Institutional I.D.:	26724
ABA Number:	071000152
Agent Bank I.D.:	20290
Internal Account:	26-27104 (PLIC ANNUITY - Hartford)
Attn:	Bond Interest / Principal - NiSource Finance Corp. 5.21% Senior Series A Due November 28, 2012 (PPN 65473Q A* 4)

(2) All notices of payments and written confirmations of such wire transfers:

Physicians Life Insurance Company
Attention: Steven Scanlan
2600 Dodge Street
Omaha, NE 68131
Facsimile: (402) 633-1096

(3) All other communications:

Hartford Investment Management Company
c/o Investment Department-Private Placements
Regular mailing address:
P.O. Box 1744
Hartford, CT 06144-1744
Overnight mailing address:
55 Farmington Avenue
Hartford, Connecticut 06105
Telefacsimile: (860) 297-8884

(4) Tax identification number: 47-0529583

NAME AND ADDRESS OF PURCHASER:

PHOENIX LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

(1) All payments by wire transfer of immediately available funds to:

ABA 021 000 021
Bank: JP Morgan Chase
City, State: New York, NY
Acct. #: 900 9000 200
Acct. Name: Income Processing
Reference: G05123, Phoenix Life Ins., PPN = (65473Q A@ 2), OBI = (issuer name), Rate = (coupon), Due = (mat. Date)
INCLUDE company name, principal and interest breakdown and premium, if any.

$10,000,000 Series B Note

(2) All legal notices to:

Phoenix Life Insurance Company
Attn: John Mulrain
One American Row
PO Box 5056
Hartford, CT 06102-5056

(3) All other correspondence to:

Phoenix Investment Partners
Attn: Private Placement Department
56 Prospect Street
Hartford, CT 06115

(4) Tax identification number: 06-0493340

NAME AND ADDRESS OF PURCHASER:

PHOENIX LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,000,000 Series B Note

(1) All payments by wire transfer of immediately available funds to:

ABA 021 000 021
Bank: JP Morgan Chase
City, State: New York, NY
Acct. #: 900 9000 200
Acct. Name: Income Processing
Reference: G05689, Phoenix Life Ins., PPN = (65473Q A@ 2), OBI = (issuer name), Rate = (coupon), Due = (mat. Date)
INCLUDE company name, principal and interest breakdown and premium, if any.

(2) All legal notices to:

Phoenix Life Insurance Company
Attn: John Mulrain
One American Row
PO Box 5056
Hartford, CT 06102-5056

(3) All other correspondence to:

Phoenix Investment Partners
Attn: Private Placement Department
56 Prospect Street
Hartford, CT 06115

(4) Tax identification number: 06-0493340

NAME AND ADDRESS OF PURCHASER:

PHL VARIABLE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,500,000 Series B Note

(1) All payments by wire transfer of immediately available funds to:

ABA 021 000 021
Bank: JP Morgan Chase
City, State: New York, NY
Acct. #: 900 9000 200
Acct. Name: Income Processing
Reference: G09390, Phoenix Life Insur., PPN = (65473Q A@ 2), OBI = (issuer name), Rate = (coupon), Due = (mat. Date)
INCLUDE company name, principal and interest breakdown and premium, if any.

(2) All legal notices to:

Phoenix Life Insurance Company
Attn: John Mulrain
One American Row
PO Box 5056
Hartford, CT 06102-5056

(3) All other correspondence to:

Phoenix Investment Partners
Attn: Private Placement Department
56 Prospect Street
Hartford, CT 06115

(4) Tax identification number: 06-1045829

NAME AND ADDRESS OF PURCHASER:

PHL VARIABLE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$500,000 Series B Note

(1) All payments by wire transfer of immediately available funds to:

ABA 021 000 021
Bank: JP Morgan Chase
City, State: New York, NY
Acct. #: 900 9000 200
Acct. Name: Income Processing
Reference: G09389, Phoenix Life Insur., PPN = (65473 A@ 2), OBI = (issuer name), Rate = (coupon), Due = (mat. Date)
INCLUDE company name, principal and interest breakdown and premium, if any.

(2) All legal notices to:

Phoenix Life Insurance Company
Attn: John Mulrain
One American Row
PO Box 5056
Hartford, CT 06102-5056

(3) All other correspondence to:

Phoenix Investment Partners
Attn: Private Placement Department
56 Prospect Street
Hartford, CT 06115

(4) Tax identification number: 06-1045829

NAME AND ADDRESS OF PURCHASER:

AMERUS LIFE INSURANCE COMPANY

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series C Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
New York, NY
ABA #021000018
BNF: IOC566
Attn: P & I Department
Ref: AmerUs Life Account 010040, PPN 65473Q A# 0

Name of Companies:
Description of Security:
PPN 65473Q:
Due Date and Application (as among principal, Make-Whole Amount and interest) of the payment being made:

(2) All notices of payments and written confirmations of such wire transfers:

AmerUs Life Insurance Company
c/o AmerUs Capital Management Group, Inc.
699 Walnut Street, Suite 1700
Des Moines, IA 50309
Attn: Julie Rivera
Tel: (515) 283-3431
Fax: (515) 283-3439

(3) All other communications:

AmerUs Life Insurance Company
c/o AmerUs Capital Management Group, Inc.
699 Walnut Street, Suite 1700
Des Moines, IA 50309
Attn: Tamara Harmon
Tel: (515) 362-3527
Fax: (515) 283-3439

(4) Tax identification number: 42-0175020 (AmerUs Life Insurance Company); 13-6062916 (Hare & Co.)

NAME AND ADDRESS OF PURCHASER:

AMERICAN INVESTORS LIFE INSURANCE COMPANY

Note to be registered in the name of "HARE & CO."

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$10,000,000 Series C Note

(1) All payments by wire transfer of immediately available funds to:

The Bank of New York
New York, NY
ABA #021000018
BNF: IOC566
Attn: P & I Department
Ref: American Investors Life Account 010048, PPN 65473Q A# 0

Name of Companies:
Description of Security:
PPN 65473Q A# 0
Due Date and Application (as among principal, Make-Whole Amount and interest) of the payment being made:

(2) All notices of payments and written confirmations of such wire transfers:

American Investors Life Insurance Company
c/o AmerUs Capital Management Group, Inc.
699 Walnut Street, Suite 1700
Des Moines, IA 50309
Attn: Julie Rivera
Tel: (515) 283-3431
Fax: (515) 283-3439

(3) All other communications:

American Investors Life Insurance Company
c/o AmerUs Capital Management Group, Inc.
699 Walnut Street, Suite 1700
Des Moines, IA 50309
Attn: Tamara Harmon
Tel: (515) 362-3527
Fax: (515) 283-3439

(4) Tax identification number: 48-0696320 (American Investors Life Insurance Company); 13-6062916 (Hare & Co.)

NAME AND ADDRESS OF PURCHASER:

THE TRAVELERS INDEMNITY COMPANY
385 Washington Street
St. Paul, MN 55102

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$10,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
ABA 021000021
Account Name: Travelers Indemnity Company - Private Placement
Account Number: 323954448

with sufficient information to identify the source and application of such funds (PPN 65473Q A* 4).

(2) All notices of payments and written confirmations of such wire transfers and all other communications:

St. Paul Travelers
Mail Code 511B
385 Washington Street
St. Paul, MN 55102-1396

(3) Tax identification number: 06-0566050

NAME AND ADDRESS OF PURCHASER:

ST. PAUL FIRE AND MARINE INSURANCE COMPANY
385 Washington Street
St. Paul, MN 55102

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

JPMorgan Chase Bank
ABA 021000021
Account Name: Travelers Indemnity Company - Private Placement
Account Number: 323954448

with sufficient information to identify the source and application of such funds (PPN 65473Q A* 4).

(2) All notices of payments and written confirmations of such wire transfers and all other communications:

St. Paul Travelers
Mail Code 511B
385 Washington Street
St. Paul, MN 55102-1396

(3) Tax identification number: 41-0406690

NAME AND ADDRESS OF PURCHASER:

BANKERS LIFE AND CASUALTY COMPANY
535 N. College Drive
Carmel, IN 46032

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$5,000,000 Series A Note

Note to be registered in the name of "HARE & CO."

(1) All payments by wire transfer of immediately available funds to:

Bankers Life and Casualty Company
The Bank of New York
ABA# 021-000-018
A/C# 0000014814
Ref: Issuer/Series/PPN 65473Q A* 4/CPN/Maturity

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

John K. Nasser, FLMI
Manager, Investment Operations
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-6069
Fax: 317-817-2589

(3) All other communications:

Edwin Ferrell
Vice President, Director of Research
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-2572
Fax: 317-817-2763

(4) Tax identification number: 36-0770740

NAME AND ADDRESS OF PURCHASER:

CONSECO LIFE INSURANCE COMPANY
535 N. College Drive
Carmel, IN 46032

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$6,000,000 Series D Note

Note to be registered in the name of "HARE & CO."

(1) All payments by wire transfer of immediately available funds to:

Conseco Life Insurance Company
The Bank of New York
ABA# 021-000-018
A/C# 0000232471
Ref: Issuer/Series/PPN 65473Q B* 3/CPN/Maturity

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

John K. Nasser, FLMI
Manager, Investment Operations
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-6069
Fax: 317-817-2589

(3) All other communications:

Edwin Ferrell
Vice President, Director of Research
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-2572
Fax: 317-817-2763

(4) Tax identification number: 04-2299444

NAME AND ADDRESS OF PURCHASER:

CONSECO SENIOR HEALTH INSURANCE COMPANY
535 N. College Drive
Carmel, IN 46032

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$3,000,000 Series D Note

Note to be registered in the name of "HARE & CO."

(1) All payments by wire transfer of immediately available funds to:

Conseco Senior Health Insurance Company
The Bank of New York
ABA# 021-000-018
A/C# 0000005068
Ref: Issuer/Series/PPN 65473Q B* 3/CPN/Maturity

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers:

John K. Nasser, FLMI
Manager, Investment Operations
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-6069
Fax: 317-817-2589

(3) All other communications:

Edwin Ferrell
Vice President, Director of Research
535 N. College Drive
Carmel, IN 46032
Tel: 317-817-2572
Fax: 317-817-2763

(4) Tax identification number: 23-0704970

NAME AND ADDRESS OF PURCHASER:

LIFE INSURANCE COMPANY OF THE SOUTHWEST

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$1,000,000 Series A Note
$9,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

J.P. Morgan Chase & Co.
New York, NY 10010
ABA # 021000021
Account No. 910-2-754349
PPN [65473Q A* 4 / 65473Q B* 3]

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers and all other communications:

Life Insurance Company of the Southwest
c/o National Life Insurance Company
One National Life Drive
Montpelier, VT 05604
Attention: Private Placements
email: shiggins@nationallife.com
fax: 802-223-9332

(3) Tax identification number: 75-0953004

NAME AND ADDRESS OF PURCHASER:

NATIONAL LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$4,000,000 Series A Note

(1) All payments by wire transfer of immediately available funds to:

J.P. Morgan Chase & Co.
New York, NY 10010
ABA # 021000021
Account No. 910-4-017752
PPN 65473Q A* 4

with sufficient information to identify the source and application of such funds.

(2) All notices of payments and written confirmations of such wire transfers and all other communications:

National Life Insurance Company
One National Life Drive
Montpelier, VT 05604
Attention: Private Placements
email: shiggins@nationallife.com
fax: 802-223-9332

(3) Tax identification number: 03-0144090

NAME AND ADDRESS OF PURCHASER:

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY

Note to be registered in the name of "CHIMEFISH & CO"

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$9,000,000 Series D Note

(1) All payments on or in respect of the Notes shall be made in immediately available funds to:

State Street Bank & Trust Company
ABA # 011000028
Account # 00076026, Income Collection
BNF - BEV3
PPN 65473Q B* 3
Security Description:_____
Principal, Interest, Premium Breakdown:_____

(2) All notices and communication shall be delivered to:

American Equity Investment Life Insurance Co.
Attn: Asset Administration
5000 Westown Parkway, Suite 440
West Des Moines, IA 50266
Fax: 515-221-0329

AND

American Equity Investment Life Insurance Co.
Attn: Investment Department – Private Placements
5000 Westown Parkway, Suite 440
West Des Moines, IA 50266
Fax: 515-221-0329

(3) Tax identification number: 65-1186810

NAME AND ADDRESS OF PURCHASER:

COUNTRY LIFE INSURANCE COMPANY

PRINCIPAL AMOUNT OF NOTES OF EACH SERIES TO BE PURCHASED:

$4,000,000 Series A Note
$4,000,000 Series D Note

(1) All payments by wire transfer of immediately available funds to:

Northern Trust Chgo/Trust
ABA Number 071000152
Wire Account Number 5186041000
For Further Credit to: 26-02712
Account Name: Country Life Insurance Company
Representing P & I on (list security) [BANK]

Referencing name of company, description of security, PPN [65473Q A* 4 / 65473Q B* 3] due date and application (as among principal, premium and interest) of the payment being made

(2) All notices of payments and written confirmations of such wire transfers:

Country Life Insurance Company
Attention: Investment Accounting
1705 N Towanda Avenue
Bloomington, IL 61702
Tel: (309) 821-3876
Fax: (309) 821-2800

(3) All other communications:

Country Life Insurance Company
Attention: Investments
1705 N Towanda Avenue
Bloomington, IL 61702
Tel: (309) 821-6260
Fax: (309) 821-6301

(4) Tax identification number: 37-0808781

SCHEDULE B

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Accredited Institutional Investor" means any Person that is both an "accredited investor" (within the meaning of Rule 501(a) of Regulation D under the Securities Act) and a Qualified Institutional Buyer.

"Affiliate" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, **"Control"** means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an **"Affiliate"** is a reference to an Affiliate of the Company.

"Anti-Terrorism Order" means Executive Order No. 13,224 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended.

"Beneficiary" is defined in Section 23.

"Bring-Down Disclosure Report" is defined in Section 5.

"Business Day" means (a) for the purposes of Section 8.6 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Indianapolis, Indiana are required or authorized to be closed.

"Capital Lease" means, as to any Person, any lease of real or personal property in respect of which the obligations of the lessee are required, in accordance with GAAP, to be capitalized on the balance sheet of such Person.

"**Capital Stock**" means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person other than a corporation (including, but not limited to, all common stock and preferred stock and partnership, membership and joint venture interests in a Person), and any and all warrants, rights or options to purchase any of the foregoing.

"CEG Public Debt" means the following indebtedness issued by Columbia: (i) 7.05% Series D Notes due November 28, 2007, (ii) 7.32% Series E Notes due November 28, 2010, (iii) 7.42% Series F Notes due November 28, 2015, (iv) 7.62% Series G Notes due November 28, 2025.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"**Columbia**" means Columbia Energy Group, a Delaware corporation.

"Company" is defined in the first paragraph of this Agreement.

"Confidential Information" is defined in Section 20.

"**Consolidated Capitalization**" means the sum of (a) Consolidated Debt, (b) consolidated common equity of the Company and its Consolidated Subsidiaries determined in accordance with GAAP, and (c) the aggregate liquidation preference of preferred stocks (other than preferred stocks subject to mandatory redemption or repurchase) of the Company and its Consolidated Subsidiaries upon involuntary liquidation.

"**Consolidated Debt**" means, at any time, the Indebtedness of the Company and its Consolidated Subsidiaries that would be classified as debt on a balance sheet of the Company determined on a consolidated basis in accordance with GAAP.

"**Consolidated Net Tangible Assets**" means, at any time, the total amount of assets appearing on a consolidated balance sheet of the Company and its Subsidiaries, determined in accordance with GAAP and prepared as of the end of the fiscal quarter then most recently ended, *less*, without duplication, the following:

(a) all current liabilities (excluding any thereof that are by their terms extendable or renewable at the sole option of the obligor thereon, without requiring the consent of the obligee, to a date more than 12 months after the date of determination);

(b) all reserves for depreciation and other asset valuation reserves (but excluding any reserves for deferred Federal income taxes, arising from accelerated amortization or otherwise);

(c) all intangible assets, such as goodwill, trademarks, trade names, patents and unamortized debt discount and expense, carried as an asset on such balance sheet; and

(d) all appropriate adjustments on account of minority interests of other Persons holding common stock of any Subsidiary of the Company.

"**Consolidated Subsidiary**" means, on any date, each Subsidiary of the Company the accounts of which, in accordance with GAAP, would be consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date.

"**Contingent Guaranty**" means a direct or contingent liability in respect of a Project Financing (whether incurred by assumption, guaranty, endorsement or otherwise) that either

(a) is limited to guarantying performance of the completion of the Project that is financed by such Project Financing or (b) is contingent upon, or the obligation to pay or perform under which is contingent upon, the occurrence of any event other than failure of the primary obligor to pay upon final maturity (whether by acceleration or otherwise).

"Credit Documents" is defined in Section 23.

"**Debt for Borrowed Money**" means, as to any Person, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all Capital Lease obligations of such Person, and (d) all obligations of such Person under synthetic leases, tax retention operating leases, off-balance sheet loans or other off-balance sheet financing products that, for tax purposes, are considered indebtedness for borrowed money of the lessee but are classified as operating leases under GAAP.

"**Debt to Capitalization Ratio**" means, at any time, the ratio of Consolidated Debt to Consolidated Capitalization.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means, with respect to the Notes of any Series, that rate of interest that is 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes of such Series.

"Disclosure Documents" is defined in Section 5.3.

"Electronic Delivery" is defined in Section 7.1(a).

"Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

"Event of Default" is defined in Section 11.

"Form 10-K" is defined in Section 7.1(b).

"Form 10-Q" is defined in Section 7.1(a).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(1) the United States of America or any State or other political subdivision thereof, or

(2) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" is defined in Section 23.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

"holder" means, with respect to any Note the Person in whose name such Note is registered in the register maintained by the NFC pursuant to Section 13.1.

"**Indebtedness**" of any Person means (without duplication) (a) Debt for Borrowed Money of such Person, (b) obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business which are not overdue, (c) all obligations, contingent or otherwise, of such Person in respect of any letters of credit, bankers' acceptances or interest rate, currency or commodity swap, cap or floor arrangements, (d) all indebtedness of others secured by (or for which the holder of such indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the indebtedness secured thereby has been assumed, (e) all amounts payable by such Person in connection with mandatory redemptions or repurchases of preferred stock, and (f) obligations of such Person under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (a) through (e) above.

"Institutional Investor" means (a) any Purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

"Lien" is defined in Section 10.4.

"Make-Whole Amount" is defined in Section 8.6.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Obligors to perform their respective obligations under this Agreement, the Guaranty and the Notes, or (c) the validity or enforceability of this Agreement, the Guaranty or the Notes.

"**Material Subsidiary**" means at any time NFC, NIPSCO, Columbia, and each Subsidiary of the Company, other than NFC, NIPSCO and Columbia, in respect of which: (a) the Company's and its other Subsidiaries' investments in and advances to such Subsidiary and its Subsidiaries exceed 10% of the consolidated total assets of the Company and its Subsidiaries taken as a whole, as of the end of the most recent fiscal year; or (b) the Company's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principles of such Subsidiary and its Subsidiaries exceeds 10% of the consolidated income of the Company and its Subsidiaries for the most recent fiscal year.

"Memorandum" is defined in Section 5.3.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"NAIC" means the National Association of Insurance Commissioners or any successor thereto.

"NFC" is defined in the first paragraph of this Agreement.

"**NIPSCO**" means Northern Indiana Public Service Company, an Indiana corporation.

"Notes" is defined in Section 1.

"**Obligations**" means all amounts, direct or indirect, contingent or absolute, of every type or description, and at any time existing and whenever incurred (including, without limitation,

after the commencement of any bankruptcy proceeding), payable by NFC to any holder of a Note pursuant to the terms of such Note or this Agreement.

"Obligor" is defined in the first paragraph of this Agreement.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any officer of an Obligor whose responsibilities extend to the subject matter of such certificate.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"Plan" means an "employee benefit plan" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"**Project**" means an energy or power generation, transmission or distribution facility (including, without limitation, a thermal energy generation, transmission or distribution facility and an electric power generation, transmission or distribution facility (including, without limitation, a cogeneration facility)), a gas production, transportation or distribution facility, or a minerals extraction, processing or distribution facility, together with (a) all related electric power transmission, fuel supply and fuel transportation facilities and power supply, thermal energy supply, gas supply, minerals supply and fuel contracts, (b) other facilities, services or goods that are ancillary, incidental, necessary or reasonably related to the marketing, development, construction, management, servicing, ownership or operation of such facility, (c) contractual arrangements with customers, suppliers and contractors in respect of such facility, and (d) any infrastructure facility related to such facility, including, without limitation, for the treatment or management of waste water or the treatment or remediation of waste, pollution or potential pollutants.

"**Project Financing**" means Indebtedness incurred by a Project Financing Subsidiary to finance (a) the development and operation of the Project such Project Financing Subsidiary was formed to develop or (b) activities incidental thereto; *provided* that such Indebtedness does not include recourse to the Company or any of its other Subsidiaries other than (x) recourse to the Capital Stock in any such Project Financing Subsidiary, and (y) recourse pursuant to a Contingent Guaranty.

"**Project Financing Subsidiary**" means any Subsidiary of the Company (a) that (i) is not a Material Subsidiary, and (ii) whose principal purpose is to develop a Project and activities incidental thereto (including, without limitation, the financing and operation of such Project), or to become a partner, member or other equity participant in a partnership, limited liability company or other entity having such a principal purpose, and (b) substantially all the assets of

which are limited to the assets relating to the Project being developed or Capital Stock in such partnership, limited liability company or other entity (and substantially all of the assets of any such partnership, limited liability company or other entity are limited to the assets relating to such Project); *provided* that such Subsidiary incurs no Indebtedness other than in respect of a Project Financing.

"property" or **"properties"** means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PTE" is defined in Section 6.2(a).

"Purchaser" is defined in the first paragraph of this Agreement.

"Qualified Institutional Buyer" means any Person who is a "qualified institutional buyer" within the meaning of such term as set forth in Rule 144A(a)(1) under the Securities Act.

"Related Fund" means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"Required Holders" means, (a) at any time after Closing, (i) the holder(s) of at least 50% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by any Obligor or any of its Affiliates), and (ii) with respect to any Series of Notes, the holder(s) of at least 50% in principal amount of the Notes of such Series at the time outstanding (exclusive of Notes of such Series then owned by any Obligor or any of its Affiliates) and (b) at any time prior to Closing, (i) the Purchaser(s) obligated hereunder to purchase at least 50% in principal amount of the Notes and (ii) with respect to any Series of Notes, the Purchaser(s) obligated hereunder to purchase at least 50% in principal amount of the Notes of such Series.

"Responsible Officer" means any Senior Financial Officer and any officer of an Obligor with responsibility for the administration of the relevant portion of this Agreement.

"SEC" shall mean the Securities and Exchange Commission of the United States, or any successor thereto.

"Securities" or **"Security"** shall have the meaning specified in Section 2(1) of the Securities Act.

"Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer, assistant treasurer, director/corporate finance or comptroller of either of NFC or the Company, as applicable.

"Series" means any series of Notes which have the same (i) maturity date, (ii) interest rate, (iii) interest payment periods and (iv) date of issuance (which, in the case of a Note issued

in exchange for another Note, shall be deemed for this purpose to be the date on which such Note's ultimate predecessor Note was originally issued); e.g., the Series A Notes, Series B Notes, Series C Notes and Series D Notes, respectively, each constitute a Series of Notes.

"Series A Notes" is defined in Section 1.

"Series B Notes" is defined in Section 1.

"Series C Notes" is defined in Section 1.

"Series D Notes" is defined in Section 1.

"Subsidiary" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such first Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Substantial Subsidiary" means, at any time, any Subsidiary in which the aggregate sum of (a) the amounts invested by the Company and its other Subsidiaries in the aggregate, by way of purchases of capital stock, Capital Leases, loans or otherwise, and (b) the amount of recourse, whether contractual or as a matter of law (but excluding non-recourse debt), available to creditors of such Subsidiary or Subsidiaries against the Company or any of its other Subsidiaries, is $100,000,000 or more.

"SVO" means the Securities Valuation Office of the NAIC or any successor to such Office.

"USA Patriot Act" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"**Utility Subsidiary**" means a Subsidiary of the Company that is subject to regulation by a Governmental Authority (federal, state or otherwise) having authority to regulate utilities, and any Wholly-Owned Subsidiary thereof.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary one hundred percent of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

[FORM OF SERIES A NOTE]

NISOURCE FINANCE CORP.

5.21% SERIES A SENIOR NOTE DUE NOVEMBER 28, 2012

No. [A-_____] **[Date]**
$[_____] PPN: 65473Q A* 4

FOR VALUE RECEIVED, the undersigned, NiSource Finance Corp. (herein called **"NFC"**), a corporation organized and existing under the laws of the State of Indiana, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on November 28, 2012, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.21% per annum from the date hereof, payable semiannually, on the 28th day of November and May in each year, commencing with the 28th day of November or May next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.21%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of NFC in Merrillville, Indiana or at such other place as NFC shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of August 23, 2005 (as from time to time amended, the **"Note Purchase Agreement"**), among NFC, NiSource Inc. and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series A Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, NFC may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and NFC will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of NFC, NiSource Inc. and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NISOURCE FINANCE CORP.

By _____
[Title]

SECURITY GUARANTEE

NiSource Inc. irrevocably and unconditionally guarantees the Obligations of NiSource Finance Corp., an Indiana corporation (the "Company"), under this Note including that the principal of, premium, if any, and interest on this Note shall be promptly paid in full when due, whether at stated maturity, by acceleration, redemption or otherwise.

The obligations of NiSource Inc. pursuant to this Security Guarantee are expressly set forth in Section 23 of the Note Purchase Agreement, and reference is hereby made thereto for the precise terms of this Security Guarantee.

No stockholder, employee, officer, director or incorporator, as such, past, present or future, of NiSource Inc. shall have any liability under this Security Guarantee by reason of his or its status as such stockholder, employee, officer, director or incorporator.

THE TERMS OF SECTION 23 OF THE NOTE PURCHASE AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Note Purchase Agreement unless otherwise indicated.

NISOURCE INC.

By: _____
Name: [David J. Vajda]
Title: [Vice President and Treasurer]

[FORM OF SERIES B NOTE]

NISOURCE FINANCE CORP.

5.36%SERIES B SENIOR NOTE DUE NOVEMBER 28, 2015

No. [B-____] [Date]
$[_____] PPN: 65473Q A@ 2

FOR VALUE RECEIVED, the undersigned, NiSource Finance Corp. (herein called **"NFC"**), a corporation organized and existing under the laws of the State of Indiana, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on November 28, 2015, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.36% per annum from the date hereof, payable semiannually, on the 28th day of November and May in each year, commencing with the 28th day of November or May next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.36%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of NFC in Merrillville, Indiana or at such other place as NFC shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of August 23, 2005 (as from time to time amended, the **"Note Purchase Agreement"**), among NFC, NiSource Inc. and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series B Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, NFC may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and NFC will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of NFC, NiSource Inc. and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NISOURCE FINANCE CORP.

By _____
[Title]

SECURITY GUARANTEE

NiSource Inc. irrevocably and unconditionally guarantees the Obligations of NiSource Finance Corp., an Indiana corporation (the "Company"), under this Note including that the principal of, premium, if any, and interest on this Note shall be promptly paid in full when due, whether at stated maturity, by acceleration, redemption or otherwise.

The obligations of NiSource Inc. pursuant to this Security Guarantee are expressly set forth in Section 23 of the Note Purchase Agreement, and reference is hereby made thereto for the precise terms of this Security Guarantee.

No stockholder, employee, officer, director or incorporator, as such, past, present or future, of NiSource Inc. shall have any liability under this Security Guarantee by reason of his or its status as such stockholder, employee, officer, director or incorporator.

THE TERMS OF SECTION 23 OF THE NOTE PURCHASE AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Note Purchase Agreement unless otherwise indicated.

NISOURCE INC.

By: _____
Name: [David J. Vajda]
Title: [Vice President and Treasurer]

[FORM OF SERIES C NOTE]

NISOURCE FINANCE CORP.

5.41%SERIES C SENIOR NOTE DUE NOVEMBER 28, 2016

No. [C-_____] **[Date]**
$[_____] PPN: 65473Q A# 0

FOR VALUE RECEIVED, the undersigned, NiSource Finance Corp. (herein called "NFC"), a corporation organized and existing under the laws of the State of Indiana, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on November 28, 2016, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.41% per annum from the date hereof, payable semiannually, on the 28th day of November and May in each year, commencing with the 28th day of November or May next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.41%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of NFC in Merrillville, Indiana or at such other place as NFC shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of August 23, 2005 (as from time to time amended, the **"Note Purchase Agreement"**), among NFC, NiSource Inc. and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series C Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, NFC may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and NFC will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of NFC, NiSource Inc. and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NISOURCE FINANCE CORP.

By _____
[Title]

SECURITY GUARANTEE

NiSource Inc. irrevocably and unconditionally guarantees the Obligations of NiSource Finance Corp., an Indiana corporation (the "Company"), under this Note including that the principal of, premium, if any, and interest on this Note shall be promptly paid in full when due, whether at stated maturity, by acceleration, redemption or otherwise.

The obligations of NiSource Inc. pursuant to this Security Guarantee are expressly set forth in Section 23 of the Note Purchase Agreement, and reference is hereby made thereto for the precise terms of this Security Guarantee.

No stockholder, employee, officer, director or incorporator, as such, past, present or future, of NiSource Inc. shall have any liability under this Security Guarantee by reason of his or its status as such stockholder, employee, officer, director or incorporator.

THE TERMS OF SECTION 23 OF THE NOTE PURCHASE AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Note Purchase Agreement unless otherwise indicated.

NISOURCE INC.

By: _____
Name: [David J. Vajda]
Title: [Vice President and Treasurer]

[FORM OF SERIES D NOTE]

NISOURCE FINANCE CORP.

5.89%SERIES D SENIOR NOTE DUE NOVEMBER 28, 2025

No. **[D-_____]** **[Date]**
$[_____] PPN: 65473Q B* 3

FOR VALUE RECEIVED, the undersigned, NiSource Finance Corp. (herein called **"NFC"**), a corporation organized and existing under the laws of the State of Indiana, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on November 28, 2025, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 5.89% per annum from the date hereof, payable semiannually, on the 28th day of November and May in each year, commencing with the 28th day of November or May next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreement referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.89%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of NFC in Merrillville, Indiana or at such other place as the NFC shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the **"Notes"**) issued pursuant to the Note Purchase Agreement, dated as of August 23, 2005 (as from time to time amended, the **"Note Purchase Agreement"**), among NFC, NiSource Inc. and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representation set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Series D Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, NFC may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and NFC will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of NFC, NiSource Inc. and the holder of this Note shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

NISOURCE FINANCE CORP.

By _____
[Title]

SECURITY GUARANTEE

NiSource Inc. irrevocably and unconditionally guarantees the Obligations of NiSource Finance Corp., an Indiana corporation (the "Company"), under this Note including that the principal of, premium, if any, and interest on this Note shall be promptly paid in full when due, whether at stated maturity, by acceleration, redemption or otherwise.

The obligations of NiSource Inc. pursuant to this Security Guarantee are expressly set forth in Section 23 of the Note Purchase Agreement, and reference is hereby made thereto for the precise terms of this Security Guarantee.

No stockholder, employee, officer, director or incorporator, as such, past, present or future, of NiSource Inc. shall have any liability under this Security Guarantee by reason of his or its status as such stockholder, employee, officer, director or incorporator.

THE TERMS OF SECTION 23 OF THE NOTE PURCHASE AGREEMENT ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Note Purchase Agreement unless otherwise indicated.

NISOURCE INC.

By: _____
Name: [David J. Vajda]
Title: [Vice President and Treasurer]

FORM OF OPINION OF SPECIAL COUNSEL
TO THE COMPANY

Matters To Be Covered in
Opinion of Special Counsel to the Company

1. Each Obligor being duly incorporated, validly existing and in good standing and having requisite corporate power and authority to execute and deliver the documents and, in the case of NFC, to issue and sell the Notes and, in the case of the Company, to issue and deliver the Guaranty.

2. Each of the Company and its Subsidiaries being duly qualified and in good standing as a foreign corporation in appropriate jurisdictions. Due authorization and execution of the documents (including the Notes and the Guaranty) and such documents being legal, valid, binding and enforceable.

3. No conflicts with charter documents, laws or other agreements.

4. All consents required to issue and sell the Notes, issue and deliver the Guaranty and to execute and deliver the documents having been obtained.

5. Neither the Notes nor the Guaranty requiring registration under the Securities Act of 1933, as amended; no need to qualify an indenture under the Trust Indenture Act of 1939, as amended.

6. No violation of Regulations T, U or X of the Federal Reserve Board.

7. No Obligor being an "investment company" under the Investment Company Act of 1940, as amended.

FORM OF OPINION OF SPECIAL PUHCA COUNSEL TO THE COMPANY

Such opinion shall be to the effect that all requisite authorizations have been obtained under PUHCA for NFC to issue and sell the Notes, the Company to issue and deliver the Guaranty, and each to execute and deliver the Credit Documents to which it is a party and perform their respective obligations thereunder.

FORM OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

1. Each Obligor being duly incorporated, validly existing and in good standing.

2. Due authorization and execution of the documents (including the Notes and the Guaranty) and such documents being legal, valid, binding and enforceable.

3. Neither the Notes nor the Guaranty requiring registration under the Securities Act of 1933, as amended; no need to qualify an indenture under the Trust Indenture Act of 1939, as amended.

Dewey Ballantine LLP shall be entitled to rely on the opinion of Schiff Hardin LLP, counsel to the Obligors, as to matters governed by the laws of the State of Indiana.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

14. Describe long-term debt reacquisition by Company and Parent as follows:

a. Reacquisition's by issue by year.
b. Total gain on reacquisition by issue by year.
c. Accounting of gain for income tax and book purposes.

Response:

Columbia Gas of Pennsylvania did not reacquire any long-term debt.

a. During January 2009, NiSource Inc., through its financing subsidiary NiSource Finance, repurchased $32.4 million of the $450 million floating rate notes scheduled to mature in November 2009 and $67.6 million of the $1.0 billion 7.875% unsecured notes scheduled to mature in November 2010. Also, on March 31, 2009, NiSource Finance announced that it was commencing a cash tender offer for up to $300 million aggregate principal amount of its outstanding 7.875% Notes due 2010. On April 28, 2009, NiSource Finance announced that $250.6 million of these notes were successfully tendered. On December 30, 2010, NiSource Finance announced that $273.1 million of its outstanding 10.75% notes due 2016 were successfully tendered and accepted for purchase. On December 13, 2011, in a separate transaction, NiSource Finance announced that approximately $125.3 million of the aggregate principal amount of its outstanding 10.75% notes due 2016 were validly tendered and accepted for purchase. In addition, approximately $228.7 million of the aggregate principal amount of outstanding 6.15% notes due 2013 were validly tendered, of which $124.7 million were accepted for purchase.

b. For the January 2009 repurchase of $32.4 million, a gain of $1.8 million was recorded. The repurchase of $67.6 million resulted in a gain of $3.9 million. These gains were offset by some fees totaling $2.3 million, resulting in a net gain of $3.4 million. The April 2009

transaction did not result in any gains, however had fees of $.8 million. In addition, unamortized debt costs were written down associated with the repurchases totaling $.2 million. The net gain of all transactions totaled $2.4 million. The December 2010 tender offer did not result in any gains, however there were transaction costs including a significant redemption premium, as well as a write down in unamortized debt costs. The December 2011 tender offer did not result in any gains, however there were transaction costs including a significant redemption premium.

c. The gains were charged to the account – 'gain/loss on early extinguishment of long term debt'.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

15. Set forth amount of compensating bank balances required under each of the following rate base bases:
    a. Annualized test year operation
    b. Operations under proposed rates

16. Provide the following information concerning compensating bank balance requirements for the actual test year.
    a. Name of each bank.
    b. Address of each bank.
    c. Types of accounts with each bank (checking, savings, escrow, other services, etc.).
    d. Average Daily Balance in each account.
    e. Amount and percentage requirements for compensating bank balance at each bank.
    f. Average daily compensating bank balance at each bank.
    g. Documents from each bank explaining compensating bank balance requirements.
    h. Interest earned on each type of account.

Response:

NiSource and Columbia Gas of Pennsylvania do not carry compensating bank balances nor are they required to under any rate base bases.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

17. Provide the following information concerning bank notes payable for actual test year.

a. Line of Credit at each bank.

b. Average daily balances of notes payable to each bank, by name of bank.

c. Interest rate charged on each bank note (prime rate, formula rate, or other).

d. Purpose of each bank note (e.g.: construction, fuel storage, working capital, debt retirement).

e. Prospective future need for this type of financing.

Response:

The data provided relates to NiSource Finance Corp., as Columbia Gas of Pennsylvania, Inc. does not maintain any external bank borrowing relationship.

a. See Attachment A - column a and footnote a
b. See Attachment A - column b and footnote b
c. See Attachment A - column c and footnote c
d. See Attachment A - footnote d
e. See Attachment A - footnote e

NiSource Inc.
Bank Notes Payable

Exhibit No. 412
Attachment A
Page 1 of 1
Witness: P. R. Moul

Test year is 12 months ended May 31, 2012

Bank Name	Applicable %	(a) Total Commitment	(b) Average Daily Balance Outstanding During Test Year	(c) Average Interest Rate
Barclays Bank	9.17%	$ 137,500,000	$ 44,426,760	2.01%
Credit Suisse	9.17%	$ 137,500,000	$ 44,426,760	2.01%
The Bank of Tokyo-Mitsubishi	6.50%	$ 97,500,000	$ 31,502,612	2.01%
JP Morgan Chase	6.50%	$ 97,500,000	$ 31,502,612	2.01%
Citibank	6.50%	$ 97,500,000	$ 31,502,612	2.01%
BNP Paribas	5.17%	$ 77,500,000	$ 25,040,538	2.01%
Keybank National Association	5.17%	$ 77,500,000	$ 25,040,538	2.01%
The Royal Bank of Scotland	5.17%	$ 77,500,000	$ 25,040,538	2.01%
Wells Fargo Bank	5.17%	$ 77,500,000	$ 25,040,538	2.01%
Mizuho Corporate Bank	5.17%	$ 77,500,000	$ 25,040,538	2.01%
The Northern Trust Company	5.17%	$ 77,500,000	$ 25,040,538	2.01%
PNC Bank	5.17%	$ 77,500,000	$ 25,040,538	2.01%
US Bank	5.17%	$ 77,500,000	$ 25,040,538	2.01%
The Bank of Nova Scotia	5.17%	$ 77,500,000	$ 25,040,538	2.01%
CoBank, ACB	3.67%	$ 55,000,000	$ 17,770,704	2.01%
Banco Bilbao Vizcaya Argentaria	3.00%	$ 45,000,000	$ 14,539,667	2.01%
The Bank of New York Mellon	3.00%	$ 45,000,000	$ 14,539,667	2.01%
Fifth Third Bank	3.00%	$ 45,000,000	$ 14,539,667	2.01%
The Huntington National Bank	3.00%	$ 45,000,000	$ 14,539,667	2.01%
5 yr facility Totals	**100.00%**	**$ 1,500,000,000**	**$ 484,655,566**	**2.01%**

(a) Reflected in Total Commitment column above

(b) Reflected in Average Daily Balance Outstanding During Test Year column above.

(c) The interest rate charged on the credit facility is a formula rate based upon the applicable LIBOR plus a spread of 170.0 basis points up until May 15, 2012 and 147.5 basis points after May 15, 2012.

(d) The purpose of this credit agreement is to fund working capital needs, as well as, to temporarily fund capital expenditures and debt retirements until long-term financing can be obtained

(e) The prospective future need for this type of financing will be consistent with the test year's information

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

19. Submit details on Company or Parent common stock offerings (past five years to present)

a. Date of Prospectus
b. Date of offering
c. Record date
d. Offering period-dates and number of days
e. Amount and number of shares of offerings
f. Offering ratio (if rights offering)
g. Per cent subscribed
h. Offering price
i. Gross proceeds per share
j. Expenses per share
k. Net proceeds per share (i-j)
l. Market price per share
    1. At record date
    2. At offering date
    3. One month after close of offering
m. Average market price during offering
    1. Price per share
    2. Rights per share-average value of rights
n. Latest reported earnings per share at time of offering
o. Latest reported dividends at time of offering

Response:

- Columbia Gas of Pennsylvania, Inc. has not issued any stock in the past five years
- Columbia Energy Group, the parent company of Columbia Gas of Pennsylvania, Inc. has not issued any stock in the past five years
- NiSource Inc. ("NiSource"), the parent company of Columbia Energy Group, has entered into two forward sale agreements relating to the issuance of shares of NiSource common stock within the next two years. See Prospectus Supplement dated 9/8/10 filed with the Securities and Exchange Commission. The following information is being provided with regard to the two forward sale agreements.

On the dates NiSource entered into the forward contracts, 9/8/10 and 9/9/10, the average market price of NiSource Inc. common stock was $17.01 and $17.75 respectively. One month after the close of the offering, the market price per share was $17.05 (based on 9/14/10). The average closing price per share on 9/8/10 was $17.14.

NiSource did not receive any proceeds from the sale of the shares of our common stock pursuant to the prospectus supplement. These forward contracts may be physically settled with the issuance of NiSource common stock for the forward sale price subject to adjustment described in the forward sale agreements. Except under certain circumstances described in the Prospectus Supplement, NiSource may also elect cash or net share settlement for all or a portion of the obligations under these contracts. We encourage the Commission to read the Prospectus Supplement for more details regarding this transaction.

a. Date of Prospectus – 9/8/10
b. Date of offering – 9/8/10
c. Record date – N/A
d. Offering period-dates and number of days 9/8/10 and 9/9/10
e. Amount and number of shares of offerings – 21,000,000 and 3,165,000
f. Offering ratio (if rights offering) – N/A
g. Per cent subscribed – 100%
h. Offering price – $16.50
i. Gross proceeds per share – $15.9638
j. Expenses per share - $.016
k. Net proceeds per share (i-j) - $15.947
l. Market price per share
    1. At record date – N/A
    2. At offering date - $17.01 and $16.93
    3. One month after close of offering - $17.75
m. Average market price during offering
    1. Price per share - $16.97 (average closing price)
    2. Rights per share-average value of rights – N/A
n. Latest reported earnings per share at time of offering - $.10 per share for the second quarter
o. Latest reported dividends at time of offering - $.92 per share annually. In August the Company declared a dividend of $.23 per share payable November 20, 2010.

COLUMBIA GAS OF PENNSYLVANIA, INC.
53.53 II. RATE OF RETURN
A. ALL UTILITIES

20. Provide latest available balance sheet and income statement for Company, Parent and System (Consolidated)

Response:

Refer to Attachment A Pages 1 through 4 for balance sheets and income statements for Columbia Gas of Pennsylvania, Inc. (Company) and Columbia Energy Group (Parent), at May 31, 2012, and Attachment B for quarterly 10Q for NiSource Inc. (System), at March 30, 2012.

DATE: 06/13/12 08:28:02

COLUMBIA GAS OF PENNSYLVANIA, INC.
BALANCE SHEET AS OF MAY 31, 2012

	CURRENT BALANCE	INC OVR PRV MTH	INC OVR SM MTH PRV YR	INC OVR DECEMBER
ASSETS				
PROPERTY, PLANT AND EQUIPMENT				
GAS UTILITY AND OTHER PLANT, @ ORIG COST	1,184,200,529	9,956,848	131,863,156	45,630,548
ACCUMULATED DEPRECIATION AND DEPLETION	304,925,286	821,468	10,985,936	7,862,099
NET PROPERTY, PLANT AND EQUIPMENT	879,275,243	9,135,380	120,877,220	37,768,449
CURRENT ASSETS				
CASH AND TEMPORARY CASH INVESTMENTS	8,689,428	(746,789)	(502,240)	1,673,772
ACCOUNTS RECEIVABLE:				
*CUSTOMERS (LESS ALLOW FOR DOUBTFUL ACCTS)	1	1	5	
FROM ASSOCIATED COMPANIES	71,301,277	(8,511,594)	(76,878,590)	41,546,286
*OTHER	3		8	(7,015)
GAS INVENTORY	50,912,670	1,450,253	2,064,605	(54,630,537)
OTHER INVENTORIES	468,110	(90,747)	(140,785)	(244,911)
PREPAYMENTS	1,461,493	325,374	(63,652)	(807,487)
REGULATORY ASSETS CURRENT	17,692,426	(307,258)	4,899,215	3,165,737
OTHER CURRENT ASSETS	432,038	(222,986)	(7,412,425)	205,076
TOTAL CURRENT ASSETS	150,957,446	(8,103,746)	(78,033,859)	(9,099,079)
INVESTMENT IN SUBSIDIARY	17,128,160	20,850	359,318	188,103
REGULATORY ASSETS LONG TERM	266,905,402	(260,101)	43,023,656	(2,629,835)
DEFERRED CHARGES AND SPECIAL DEPOSITS & FUNDS	71,225,345	5,253,364	47,530,938	3,942,900
TOTAL ASSETS	1,385,491,596	6,045,747	133,757,273	30,170,538
CAPITALIZATION AND LIABILITIES				
CAPITALIZATION				
COMMON STOCK EQUITY				
COMMON STOCK, AT PAR VALUE	45,127,802			
ADDITIONAL PAID IN CAPITAL	7,621,971		44,584	
OTHER COMPREHENSIVE INCOME-	(10,676)			
RETAINED EARNINGS	357,275,469	(408,837)	31,137,749	27,383,203
TOTAL COMMON STOCK EQUITY	410,014,566	(408,837)	31,182,333	27,383,203
LONG-TERM DEBT				
INSTALLMENT PROMISSORY NOTES AND LOANS	313,390,007		174,999	64,999,999
TOTAL CAPITALIZATION	723,404,573	(408,837)	31,357,332	92,383,202
CURRENT LIABILITIES				
CURRENT MATURITIES OF LONG-TERM DEBT				
ACCOUNTS PAYABLE	12,493,625	(293,539)	(20,264,734)	(10,188,672)
ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	83,239,016	1,546,609	66,142,348	(18,450,567)
ACCRUED TAXES	2,223,510	(284,619)	2,200,117	1,523,981
ACCRUED INTEREST	226,853	7,015	35,736	(10,387)
ESTIMATED RATE REFUNDS	(779)		(11,134)	(16,098)
DEFERRED INCOME TAXES	1,119,202	32,484	(13,820,638)	32,484
OTHER CURRENT LIABILITIES	67,917,040	5,862,807	25,556,907	(39,500,362)
TOTAL CURRENT LIABILITIES	167,218,467	6,870,757	59,838,602	(66,609,621)
OTHER LIABILITIES AND DEFERRED CREDITS				
INCOME TAXES, NONCURRENT	392,310,571	1,943,988	57,171,983	18,021,829
INVESTMENT TAX CREDITS	4,113,258	(30,020)	(360,237)	(150,099)
OTHER REGULATORY LIABILITIES LONG TERM	62,475,343	(2,284,432)	(18,586,912)	(12,397,176)
OTHER LIABILITIES & DEFERRED CREDITS	35,969,384	(45,709)	4,336,505	(1,077,597)
TOTAL OTHER LIABILITIES AND DEFERRED CREDITS	494,868,556	(416,173)	42,561,339	4,396,957
TOTAL CAPITALIZATION AND LIABILITIES	1,385,491,596	6,045,747	133,757,273	30,170,538

REPORT ID: BAL FORMAT ID: BSP

*A/R AND RELATED RESERVES HAVE BEEN SOLD TO CPRC, AND INTEREST THEREIN HAS BEEN SOLD TO A PURCHASER(S) REPRESENTED BY BTMU, AS AGENT.

DATE: 06/13/12 08:28:02

COLUMBIA GAS OF PENNSYLVANIA, INC.
INCOME STATEMENT
FOR THE PERIOD ENDING MAY 31, 2012

	CR MTH ACTUAL	INC PREV YEAR	YTD ACTUAL	INC PREV YEAR	12 MTHS ACTUAL	INC PREV YEAR
OPERATING REVENUES						
GAS	11,097,599	845,878	153,069,089	(101,543,179)	271,233,885	(173,542,522)
TRANSPORTATION	4,598,680	956,984	42,244,880	460,107	80,292,769	5,094,245
OTHER OPERATING REVENUES	5,902,691	(941,632)	11,425,722	(12,995,332)	39,145,907	(25,090,711)
TOTAL OPERATING REVENUES	21,598,970	861,230	206,739,691	(114,078,404)	390,672,561	(193,538,988)
OPERATING EXPENSES						
PRODUCTS PURCHASED - NATURAL GAS	10,021,252	310,306	97,651,692	(96,991,576)	181,258,853	(169,552,663)
OPERATION	8,000,213	626,531	45,712,319	(12,907,117)	112,456,181	(17,523,923)
MAINTENANCE	1,498,001	168,984	5,436,295	(185,555)	13,689,056	(944,748)
DEPRECIATION AND DEPLETION	2,661,800	450,886	13,053,381	2,129,279	29,222,936	3,907,068
OTHER TAXES	259,726	18,615	1,764,045	(80,316)	3,987,395	102,064
TOTAL OPERATING EXPENSES	22,440,992	1,575,322	163,617,732	(108,035,285)	340,614,421	(184,012,202)
OPERATING INCOME (LOSS)	(842,022)	(714,092)	43,121,959	(6,043,119)	50,058,140	(9,526,786)
OTHER INCOME (DEDUCTIONS)						
INCOME FROM INVESTMENT IN SUBSIDIARY	20,850	(101,123)	188,102	(585,088)	314,732	(893,721)
INTEREST INCOME AND OTHER, NET	168,212	(995,177)	1,253,426	(138,491)	1,663,112	(796,231)
INTEREST EXPENSE & RELATED CHARGES	(2,239,694)	759,451	(8,499,710)	179,260	(20,068,168)	(1,093,598)
TOTAL OTHER INCOME (DEDUCTIONS)	(2,050,632)	(336,849)	(7,058,182)	(544,319)	(18,090,324)	(2,783,550)
INCOME (LOSS) BEFORE INCOME TAXES	(2,892,654)	(1,050,941)	36,063,777	(6,587,438)	31,967,816	(12,310,336)
INCOME TAXES	(2,483,817)	(914,812)	7,680,575	(2,526,280)	(5,509,881)	7,073,324
NET INCOME BEFORE EXTRAORDINARY ITEMS	(408,837)	(136,129)	28,383,202	(4,061,158)	37,477,697	(19,383,660)
EXTRAORDINARY ITEMS						
CUMULATIVE CHANGE IN ACCOUNTING PRINCIPL						
NET INCOME (LOSS)	(408,837)	(136,129)	28,383,202	(4,061,158)	37,477,697	(19,383,660)

REPORT ID: INC FORMAT ID: INC

PAGE 2

Exhibit No. 414
Attachment A
Page 2 of 4
Witness: J.T. Gore

Columbia Energy Group-Parent Company
Balance Sheet
For the Month Ended May, 2012
Dollars in Thousands ($000)

	May, 2012	April, 2012	Change From Prior Month
Assets			
Property, Plant and Equipment			
Investments and Other Assets			
Consolidated Affiliates	3,213,297	3,190,201	23,095
Total Investments	3,213,297	3,190,201	23,095
Current Assets			
Cash	24	15	9
Accounts Receivable - Non-Affiliated	256	255	1
Accounts Receivable - Affiliated	12,994	13,365	(372)
Income Tax Refunds	189	189	0
Prepayments and Other assets	8,121	8,131	(10)
Total Current Assets	21,584	21,956	(372)
Other Assets			
Intangible Assets, Less Accum Amort	36	29	7
Deferred Charges	14,277	14,277	0
Other Tax Receivable	37,323	37	37,285
Total Other Assets	51,635	14,343	37,293
Total Assets	3,286,516	3,226,500	60,016
Capitalization and Liabilities			
Capitalization			
Common Stock	0	0	0
Additional Paid in Capital	1,436,551	1,436,551	0
Retained Earnings	1,832,062	1,809,413	22,649
Non-ABO SFAS 133 Adjustments Total	(17,059)	(17,333)	274
OCI-Pension Obligation	(22,430)	(22,593)	163
OCI-OPEB Obligation	818	809	8
Long Tern Debt I/C	0	0	0
Common Stock Equity	3,229,941	3,206,848	23,094
Total Capitalization	3,229,941	3,206,848	23,094
Current Liabilities			
Accounts Payable - Non Affiliated	6	6	0
Accounts Payable - Affiliated	147	340	(193)
Taxes Accrued	(7,822)	(7,758)	(64)
SFAS 112 Postemployment Benefit - current	40	40	0
Legal and Environmental Reserves	228	252	(24)
Other Accruals	263	328	(65)
Total Current Liabilities	(7,139)	(6,792)	(347)
Other Liabilities and Deferred Credits			
Deferred Income Taxes Non-Current	7,437	7,380	57
SFAS 112 Postemployment Benefit - Noncurrent	424	424	0
SFAS 106 Postretirement Benefit - Noncurrent	11,198	11,164	34
Accrued LT Pension Cost-Nonqualified	131	130	0
Accrued LT Pension Cost-Qualified	6,773	6,882	(109)
Other Tax Payable	467	466	1
Total Non-Current Liabilities	26,430	26,446	(17)
Total Capitalization & Liabilities	3,249,232	3,226,502	22,730

Columbia Energy Group-Parent Company
Detailed Income Statement
May, 2012
Monthly/Year to Date

		May, 2012 (In Thousands)
409999000	Total Gas Distribution Sales Revenues	0
439999000	Total Electric Revenue	0
419999000	Total Gas Transportation Revenue	0
429999000	Total Gas Storage Revenue	0
459999000	Merchant Operations	0
449999000	Total Exploration & Production Revenue	0
489999000	Total Other Revenue	0
499999000	Gross Revenues	0
500999000	Total Gas Purchased for Resale	0
501999000	Fuel for Electric Generation	0
502999000	Total Purchased Power	0
504999000	Gas Storage Total	0
503999000	Total Gas Marketing Costs	0
579999000	Total Other COS	0
580000000	FAS 133 Gain/Loss	0
589999000	Total Cost of Gas	0
599999000	Total Net Revenues	0
689999000	Total Operation & Maintenance	996
690999000	Depreciation & Amortization	0
693999000	Total Loss on Asset Impairment	0
691999000	Total Gain on Sale of Assets/Property	0
692999000	Other Taxes	0
698999000	Total Operating Expenses	996
698999009	Equity Earnings in Unconsol Affiliates	0
699999000	Operating Income	(996)
700999000	Interest Expense, Net	0
701999000	Minority Interest	0
702999000	Dividend Req's Pref. Stock	0
703999000	Other, Net	95
704000000	Gain (Loss) Early Ext LT Debt	0
709999000	Total Other Income (Deductions)	95
719999000	Income from Continuing Operations Before	(902)
728999000	Income Taxes	(345)
729999000	Income from Continuing Operations	(557)
730799000	Inc (Loss) from Discon Oper - Net of Tax	(253)
730499000	Gain/Loss - Disp of Disc Op - Net of Tax	0
731999000	Change in Accounting - Net of Tax	0
	Net Income Before Subsidiaries	(253)
732999000	Total Earnings of Subsidiaries	209,286
739999000	Net Income	208,476
740000000	Dividend Req'd on Pref Stock	0
759999000	Balance Avail for Common Shares	208,476

NISOURCE INC/DE

FORM 10-Q
(Quarterly Report)

Filed 05/01/12 for the Period Ending 03/31/12

Address	801 EAST 86TH AVE
	MERRILLVILLE, IN 46410-6272
Telephone	2196475200
CIK	0001111711
Symbol	NI
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2012

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-16189

NiSource Inc.

(Exact name of registrant as specified in its charter)

Delaware	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue Merrillville, Indiana (Address of principal executive offices)	46410 (Zip Code)

(877) 647-5990
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)
Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, $0.01 Par Value: 284,092,190 shares outstanding at April 26, 2012.

NISOURCE INC.
FORM 10-Q QUARTERLY REPORT
FOR THE QUARTER ENDED MARCH 31, 2012

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DEFINED TERMS

The following is a list of frequently used abbreviations or acronyms that are found in this report:

NiSource Subsidiaries and Affiliates

Capital Markets	NiSource Capital Markets, Inc.
CER	Columbia Energy Resources, Inc.
CGORC	Columbia Gas of Ohio Receivables Corporation
CNR	Columbia Natural Resources, Inc.
Columbia	Columbia Energy Group
Columbia Gulf	Columbia Gulf Transmission Company
Columbia of Kentucky	Columbia Gas of Kentucky, Inc.
Columbia of Maryland	Columbia Gas of Maryland, Inc.
Columbia of Massachusetts	Bay State Gas Company
Columbia of Ohio	Columbia Gas of Ohio, Inc.
Columbia of Pennsylvania	Columbia Gas of Pennsylvania, Inc.
Columbia of Virginia	Columbia Gas of Virginia, Inc.
Columbia Transmission	Columbia Gas Transmission, L.L.C.
CPRC	Columbia Gas of Pennsylvania Receivables Corporation
Crossroads Pipeline	Crossroads Pipeline Company
Granite State Gas	Granite State Gas Transmission, Inc.
Hardy Storage	Hardy Storage Company, L.L.C.
Kokomo Gas	Kokomo Gas and Fuel Company
Millennium	Millennium Pipeline Company, L.L.C.
NARC	NIPSCO Accounts Receivable Corporation
NDC Douglas Properties	NDC Douglas Properties, Inc.
NiSource	NiSource Inc.
NiSource Corporate Services	NiSource Corporate Services Company
NiSource Development Company	NiSource Development Company, Inc.
NiSource Finance	NiSource Finance Corp.
NiSource Midstream	NiSource Midstream Services, L.L.C.
Northern Indiana	Northern Indiana Public Service Company
Northern Indiana Fuel and Light	Northern Indiana Fuel and Light Company
PEI	PEI Holdings, Inc.
Whiting Clean Energy	Whiting Clean Energy, Inc.

Abbreviations

AFUDC	Allowance for funds used during construction
AMRP	Accelerated Main Replacement Program
AOC	Administrative Order by Consent
AOCI	Accumulated other comprehensive income
ARP	Alternative Regulatory Plan
ARRs	Auction Revenue Rights
ASC	Accounting Standards Codification
BBA	British Banker Association
Bcf	Billion cubic feet
Board	Board of Directors
BPAE	BP Alternative Energy North America Inc
BTMU	The Bank of Tokyo-Mitsubishi UFJ, LTD.
BTU	British Thermal Unit
CAA	Clean Air Act
CAIR	Clean Air Interstate Rule
CAMR	Clean Air Mercury Rule
Ccf	Hundred cubic feet
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act (also known as Superfund)
CSAPR	Cross-State Air Pollution Rule

DEFINED TERMS (continued)

[redacted]2	Began April 1, 2005 and refers to the operational control of the energy markets by MISO, including the dispatching of wholesale electricity and generation, managing transmission constraints, and managing the day-ahead, real-time and financial transmission rights markets
DPU	Department of Public Utilities
DSM	Demand Side Management
Dth	Dekatherm
ECT	Environmental Cost Tracker
EPA	United States Environmental Protection Agency
EPS	Earnings per share
FAC	Fuel adjustment clause
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FGD	Flue Gas Desulfurization
FTRs	Financial Transmission Rights
GAAP	U.S. Generally Accepted Accounting Principles
GCR	Gas cost recovery
GHG	Greenhouse gases
gwh	Gigawatt hours
IDEM	Indiana Department of Environmental Management
IFRS	International Financial Reporting Standards
IRP	Infrastructure Replacement Program
IURC	Indiana Utility Regulatory Commission
LDCs	Local distribution companies
LIBOR	London InterBank Offered Rate
LIFO	Last in first out
[redacted]	Million cubic feet
[redacted]	Manufactured Gas Plant
[redacted]O	Midwest Independent Transmission System Operator
Mitchell	Dean H. Mitchell Coal Fired Generating Station
MMDth	Million dekatherms
mw	Megawatts
NAAQS	National Ambient Air Quality Standards
NOV	Notice of Violation
NO2	Nitrogen dioxide
NOx	Nitrogen oxide
NSR	New Source Review
NYMEX	New York Mercantile Exchange
OCI	Other Comprehensive Income (Loss)
OPEB	Other Postretirement and Postemployment Benefits
OUCC	Indiana Office of Utility Consumer Counselor
PADEP	Pennsylvania Department of Environmental Protection
Piedmont	Piedmont Natural Gas Company, Inc.
PJM	PJM Interconnection (a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.)
PM	particulate matter
PSC	Public Service Commission
PUC	Public Utility Commission
PUCO	Public Utilities Commission of Ohio
RA	Resource Adequacy
RBS	Royal Bank of Scotland PLC
RCRA	Resource Conservation and Recovery Act
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
[redacted]	State Implementation Plan
[redacted]	Sulfur dioxide
VaR	Value-at-risk and instrument sensitivity to market factors

DEFINED TERMS (continued)

VIE	Variable Interest Entities
VSCC	Virginia State Corporation Commission

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PART I

ITEM 1. FINANCIAL STATEMENTS

NiSource Inc.
Condensed Statements of Consolidated Income (unaudited)

Three Months Ended March 31, (*in millions, except per share amounts*)	2012	2011
Net Revenues		
Gas Distribution	$ 873.7	$ 1,372.0
Gas Transportation and Storage	409.2	403.0
Electric	352.6	346.5
Other	23.2	110.1
Gross Revenues	1,658.7	2,231.6
Cost of Sales (excluding depreciation and amortization)	630.3	1,170.9
Total Net Revenues	1,028.4	1,060.7
Operating Expenses		
Operation and maintenance	405.4	429.3
Depreciation and amortization	146.1	134.3
Impairment and (gain)/loss on sale of assets, net	(1.6)	0.7
Other taxes	86.8	93.0
Total Operating Expenses	636.7	657.3
Equity Earnings in Unconsolidated Affiliates	7.7	3.0
Operating Income	399.4	406.4
Other Income (Deductions)		
Interest expense, net	(103.3)	(89.8)
Other, net	0.3	3.3
Total Other Deductions	(103.0)	(86.5)
Income from Continuing Operations before Income Taxes	296.4	319.9
Income Taxes	102.9	110.8
Income from Continuing Operations	193.5	209.1
(Loss) Income from Discontinued Operations - net of taxes	(0.1)	0.4
Net Income	$ 193.4	$ 209.5
Basic Earnings Per Share		
Continuing operations	$ 0.68	$ 0.75
Discontinued operations	-	-
Basic Earnings Per Share	$ 0.68	$ 0.75
Diluted Earnings Per Share		
Continuing operations	$ 0.66	$ 0.73
Discontinued operations	-	-
Diluted Earnings Per Share	$ 0.66	$ 0.73
Dividends Declared Per Common Share	$ 0.46	$ 0.46
Basic Average Common Shares Outstanding	282.9	279.3
Diluted Average Common Shares	293.1	285.0

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.

Condensed Statements of Consolidated Comprehensive Income (unaudited)

Three Months Ended March 31, (*in millions, net of taxes*)	2012	2011
Net Income	$ 193.4	$ 209.5
Other comprehensive (loss) income		
Net loss on available for sale securities [a]	(2.8)	(0.3)
Net unrealized gains on cash flow hedges [b]	1.0	1.1
Unrecognized pension benefit and OPEB costs [c]	0.6	0.4
Total other comprehensive (loss) income	(1.2)	1.2
Total Comprehensive Income	$ 192.2	$ 210.7

(a) Net unrealized losses on available-for-sale securities, net of $2.0 million and $0.2 million tax benefit in the first quarter of 2012 and 2011.

(b) Net unrealized gains on derivatives qualifying as cash flow hedges, net of $0.6 million and $0.7 million tax expense in the first quarter of 2012 and 2011, respectively. Net unrealized gains on cash flow hedges includes realization of unrealized losses of $0.3 million and $0.2 million related to the unrealized losses of interest rate swaps held by NiSource's unconsolidated equity method investments for the first quarter of 2012 and 2011, respectively.

(c) Unrecognized pension benefit and OPEB costs, net of $0.5 million and $0.4 million tax expense in the first quarter of 2012 and 2011.

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

SOURCE INC.

Condensed Consolidated Balance Sheets (unaudited)

(in millions)	March 31, 2012	December 31, 2011
ASSETS		
Property, Plant and Equipment		
Utility Plant	$ 20,571.1	$ 20,337.8
Accumulated depreciation and amortization	(8,805.9)	(8,670.2)
Net utility plant	11,765.2	11,667.6
Other property, at cost, less accumulated depreciation	136.8	132.5
Net Property, Plant and Equipment	11,902.0	11,800.1
Investments and Other Assets		
Assets of discontinued operations and assets held for sale	0.2	0.2
Unconsolidated affiliates	204.8	204.7
Other investments	156.5	150.9
Total Investments and Other Assets	361.5	355.8
Current Assets		
Cash and cash equivalents	38.5	11.5
Restricted cash	149.7	160.6
Accounts receivable (less reserve of $45.6 and $30.5, respectively)	730.3	854.8
Income tax receivable	0.7	0.9
Gas inventory	181.1	427.6
Underrecovered gas and fuel costs	15.0	20.7
Materials and supplies, at average cost	89.8	87.6
Electric production fuel, at average cost	83.3	50.9
Price risk management assets	141.9	137.2
Exchange gas receivable	76.4	64.9
Regulatory assets	186.2	169.7
Prepayments and other	277.4	261.8
Total Current Assets	1,970.3	2,248.2
Other Assets		
Price risk management assets	114.7	188.7
Regulatory assets	1,940.1	1,978.2
Goodwill	3,677.3	3,677.3
Intangible assets	294.9	297.6
Postretirement and postemployment benefits assets	34.9	31.5
Deferred charges and other	150.2	130.9
Total Other Assets	6,212.1	6,304.2
Total Assets	$ 20,445.9	$ 20,708.3

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Condensed Consolidated Balance Sheet (unaudited) (continued)

(in millions, except share amounts)	March 31, 2012	December 31, 2011
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common Stockholders' Equity		
Common stock - $0.01 par value, 400,000,000 shares authorized; 283,890,607 and 281,853,571 shares issued and outstanding, respectively	$ 2.9	$ 2.8
Additional paid-in capital	4,198.9	4,167.7
Retained earnings	980.0	917.0
Accumulated other comprehensive loss	(60.9)	(59.7)
Treasury stock	(40.4)	(30.5)
Total Common Stockholders' Equity	5,080.5	4,997.3
Long-term debt, excluding amounts due within one year	5,834.4	6,267.1
Total Capitalization	10,914.9	11,264.4
Current Liabilities		
Current portion of long-term debt	750.8	327.3
Short-term borrowings	1,264.2	1,359.4
Accounts payable	380.7	434.8
Dividends payable	65.3	
Customer deposits and credits	215.1	313.6
Taxes accrued	237.3	220.9
Interest accrued	70.2	111.9
Overrecovered gas and fuel costs	74.3	48.9
Price risk management liabilities	180.4	167.8
Exchange gas payable	66.3	16
Deferred revenue	10.6	10
Regulatory liabilities	99.9	112.0
Accrued liability for postretirement and postemployment benefits	26.6	26.6
Legal and environmental reserves	37.0	43.9
Other accruals	239.7	301.0
Total Current Liabilities	3,718.4	3,646.4
Other Liabilities and Deferred Credits		
Price risk management liabilities	94.9	138.9
Deferred income taxes	2,650.7	2,541.9
Deferred investment tax credits	27.9	29.0
Deferred credits	80.7	78.9
Accrued liability for postretirement and postemployment benefits	946.0	953.8
Regulatory liabilities and other removal costs	1,616.2	1,663.9
Asset retirement obligations	148.4	146.4
Other noncurrent liabilities	247.8	244.7
Total Other Liabilities and Deferred Credits	5,812.6	5,797.5
Commitments and Contingencies (Refer to Note 19)	-	-
Total Capitalization and Liabilities	$ 20,445.9	$ 20,708.3

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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M 1. FINANCIAL STATEMENTS (continued)

S OURCE I NC.

Condensed Statements of Consolidated Cash Flows (unaudited)

Three Months Ended March 31, (*in millions*)	2012	2011
Operating Activities		
Net Income	$ 193.4	$ 209.5
Adjustments to Reconcile Net Income to Net Cash from Continuing Operations:		
Depreciation and amortization	146.1	134.3
Net changes in price risk management assets and liabilities	24.9	14.3
Deferred income taxes and investment tax credits	92.2	102.3
Deferred revenue	0.5	0.7
Stock compensation expense and 401(k) profit sharing contribution	8.9	7.8
Gain on sale of assets	(1.6)	-
Loss on impairment of assets	-	0.7
Income from unconsolidated affiliates	(6.6)	(3.1)
Loss (Gain) from discontinued operations - net of taxes	0.1	(0.4)
Amortization of debt related costs	2.3	2.1
AFUDC equity	(1.0)	(1.4)
Distributions of earnings received from equity investees	12.9	1.8
Changes in Assets and Liabilities:		
Accounts receivable	127.9	16.0
Income tax receivable	0.2	78.6
Inventories	211.2	208.5
Accounts payable	(41.3)	(119.9)
Customer deposits and credits	(98.5)	(136.5)
Taxes accrued	16.6	24.1
Interest accrued	(41.7)	(53.0)
Overrecovered gas and fuel costs	31.1	191.0
Exchange gas receivable/payable	(113.4)	(129.6)
Other accruals	(54.3)	(34.0)
Prepayments and other current assets	(4.7)	1.3
Regulatory assets/liabilities	(1.2)	15.2
Postretirement and postemployment benefits	(6.9)	(94.4)
Deferred credits	2.6	3.5
Deferred charges and other noncurrent assets	(23.3)	(3.6)
Other noncurrent liabilities	4.0	1.0
Net Operating Activities from Continuing Operations	480.4	436.8
Net Operating Activities used for Discontinued Operations	(0.4)	(14.7)
Net Cash Flows from Operating Activities	480.0	422.1
Investing Activities		
Capital expenditures	(292.6)	(209.4)
Proceeds from disposition of assets	2.1	5.5
Restricted cash withdrawals	11.5	38.0
Contributions to equity investees	(5.3)	-
Other investing activities	(10.4)	(9.2)
Net Cash Flow used for Investing Activities	(294.7)	(175.1)
Financing Activities		
Retirement of long-term debt	(5.9)	(2.8)
Premiums and other debt related costs	-	(8.2)
Change in short-term borrowings, net	(94.8)	(119.5)
Issuance of common stock	17.4	3.7
Acquisition of treasury stock	(9.9)	(2.7)
Dividends paid - common stock	(65.1)	(64.2)
Net Cash Flow used for Financing Activities	(158.3)	(193.7)
Change in cash and cash equivalents from continuing operations	27.4	68.0
Cash contributions to discontinued operations	(0.4)	(14.7)
Cash and cash equivalents at beginning of period	11.5	9.2
Cash and Cash Equivalents at End of Period	$ 38.5	$ 62.5

The accompanying Notes to Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Basis of Accounting Presentation

The accompanying unaudited condensed consolidated financial statements for NiSource (the "Company") reflect all normal recurring adjustments that are necessary, in the opinion of management, to present fairly the results of operations in accordance with GAAP in the United States of America.

The accompanying financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. Income for interim periods may not be indicative of results for the calendar year due to weather variations and other factors.

The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although NiSource believes that the disclosures made are adequate to make the information not misleading.

Immaterial Restatement

As indicated in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, NiSource made correcting adjustments to its historical financial statements including for the first quarter of 2011 relating to deferred revenue, environmental asset recovery and OPEB over-reimbursement. NiSource does not believe that these corrections, individually or in the aggregate, are material to its financial statements (unaudited) for the quarterly period ended March 31, 2011. For additional information on these corrections, see Note 1, Nature of Operations and Summary of Significant Accounting Policies, and Note 26, Quarterly Financial Data (Unaudited), of the Consolidated Financial Statements of NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

The following table sets forth the effects of the correcting adjustments to Net Income for the three months ended March 31, 2011:

Increase/(Decrease) in Net Income *(in millions)*	Three Months Ended March 31, 2011
Previously reported Net Income	$ 205.2
Deferred revenue	(0.6)
Environmental asset recovery	8.0
OPEB over-reimbursement	(0.2)
Total corrections	7.2
Income taxes	2.9
Corrected Net Income	$ 209.5

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

The following table sets forth the effects of the correcting adjustments on affected line items within the Condensed Statement of Consolidated Income (unaudited) for the three months ended March 31, 2011:

Condensed Statements of Consolidated Income (unaudited)

	Three Months ended March 31, 2011	
(in millions, except per share amounts)	As Previously Reported	As Corrected
Net Revenues		
Electric	$ 347.1	$ 346.5
Gross Revenues	2,232.2	2,231.6
Total Net Revenues	1,061.3	1,060.7
Operation and maintenance	432.5	429.3
Depreciation and amortization	138.9	134.3
Total Operating Expenses	665.1	657.3
Operating Income	399.2	406.4
Income from Continuing Operations before Income Taxes	312.7	319.9
Income Taxes	107.9	110.8
Income from Continuing Operations	204.8	209.1
Net Income	$ 205.2	$ 209.5
Basic Earnings Per Share ($)		
Continuing operations	$ 0.73	$ 0.75
Basic Earnings Per Share	$ 0.73	$ 0.75
Diluted Earnings Per Share ($)		
Continuing operations	$ 0.72	$ 0.73
Diluted Earnings Per Share	$ 0.72	$ 0.73

These corrections affected certain line items within net cash flows from operating activities on the Condensed Statement of Consolidated Cash Flows (unaudited) for the three months ended March 31, 2011, with no net effect on total net cash flows from operating activities.

2. Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

Comprehensive Income . In June 2011, the FASB issued Accounting Standards Update 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The update does not change the items that must be reported in other comprehensive income. In December 2011, the FASB issued Accounting Standards Update 2011-12, which indefinitely defers the requirement to present reclassification adjustments out of accumulated other comprehensive income by component in both the Condensed Statements of Consolidated Income (unaudited) and the Condensed Statements of Consolidated Comprehensive Income (unaudited), as required by Accounting Standards Update 2011-05. For public entities, these updates are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. NiSource adopted the guidance on January 1, 2012 by presenting the Condensed Statements of Consolidated Income (unaudited) and the Condensed Statements of Consolidated Comprehensive Income (unaudited) as two separate statements.

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ITEM 1. FINANCIAL STATEMENTS (continued)

N I S OURCE I NC .
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Recently Issued Accounting Pronouncements

Balance Sheet Disclosure. In December 2011, the FASB issued Accounting Standards Update 2011-11, which requires additional disclosures regarding the nature of an entity's rights to offset positions associated with its financial and derivative instruments. These new disclosures will provide additional information about the entity's gross and net financial exposure. The amendment is effective for fiscal years, and interim periods within those years, beginning after January 1, 2013 with retrospective application required. NiSource is currently reviewing the provisions of this new standard to determine the impact on its Condensed Consolidated Financial Statements (unaudited) and Notes to Condensed Consolidated Financial Statements (unaudited).

Goodwill Impairment . In September 2011, the FASB issued Accounting Standards Update 2011-08, which gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit for the goodwill impairment test. The amendment is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. As NiSource performs its annual Goodwill impairment test during the second quarter of its fiscal year, NiSource is currently reviewing the provisions of this new standard to determine if it will elect the option for the second quarter of 2012.

3. Earnings Per Share

Basic EPS is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. The weighted average shares outstanding for diluted EPS includes the incremental effects of the various long-term incentive compensation plans and the Forward Agreements (refer to Note 4 "Forward Equity Agreement" for additional information). The calculation of diluted earnings per share for March 31, 2012 and 2011 excludes out-of-the-money stock options of 2.1 million and 3.5 million, respectively, which had an anti-dilutive effect. The numerator in calculating both basic and diluted EPS for each period is reported net income. The computation of diluted average common shares follows:

Three Months Ended March 31, *(in thousands)*	2012	20
Denominator		
Basic average common shares outstanding	282,925	279,339
Dilutive potential common shares		
Nonqualified stock options	126	-
Shares contingently issuable under employee stock plans	158	1,112
Shares restricted under stock plans	615	317
Forward agreements	9,275	4,203
Diluted Average Common Shares	293,099	284,971

4. Forward Equity Agreement

On September 14, 2010, NiSource and Credit Suisse Securities (USA) LLC, as forward seller, closed an underwritten registered public offering of 24,265,000 shares of NiSource's common stock. All of the shares sold were borrowed and delivered to the underwriters by the forward seller. NiSource did not receive any of the proceeds from the sale of the borrowed shares, but NiSource will receive proceeds upon settlement of the Forward Agreements referred to below.

In connection with the public offering, NiSource entered into forward sale agreements ("Forward Agreements") with an affiliate of the forward seller covering an aggregate of 24,265,000 shares of NiSource's common stock. Settlement of the Forward Agreements is expected to occur no later than September 10, 2012. Subject to certain exceptions, NiSource may elect cash or net share settlement for all or a portion of its obligations under the Forward Agreements. Upon any physical settlement of the Forward Agreements, NiSource will deliver shares of its common stock in exchange for cash proceeds at the forward sale price, which initially is $15.9638 and is subject to adjustment as provided in the Forward Agreements. If the equity forward had been settled by delivery of shares at March 31, 2012, NiSource would have received approximately $351.2 million based on a forward price of $14.4744 for the 24,265,000 shares. NiSource currently anticipates settling the equity forward by delivering shares.

In accordance with ASC 815-40, NiSource has classified the Forward Agreement as an equity transaction. As a result of this classification, no amounts have been recorded in the Condensed Consolidated Financial Statements (unaudited) as of and for the three months ended March 31, 2012 and the year ended December 31, 2011 in connection with the Forward Agreements. The only impact to the Condensed Consolidated Financial Statements (unaudited) is the inclusion of incremental shares within the calculation of fully diluted EPS under the treasury stock method. Refer to Note 3, "Earnings Per Share," for additional information.

5. Gas in Storage

Both the LIFO inventory methodology and the weighted average cost methodology are used to value natural gas in storage. Gas Distribution Operations price natural gas storage injections at the average of the costs of natural gas supply purchased during the year. For interim periods, the difference between current projected replacement cost and the LIFO cost for quantities of gas temporarily withdrawn from storage is recorded as a temporary LIFO liquidation credit or debit within the Condensed Consolidated Balance Sheets (unaudited). Due to seasonality requirements, NiSource expects interim variances in LIFO layers to be replenished by year-end. NiSource has a temporary LIFO liquidation debit of $21.7 million recorded for the three months ended March 31, 2012 for certain gas distribution companies recorded within "Prepayments and other," on the Condensed Consolidated Balance Sheets (unaudited).

6. Discontinued Operations and Assets and Liabilities Held for Sale

There were no significant assets or liabilities of discontinued operations and held for sale on the Condensed Consolidated Balance Sheets at March 31, 2012 and December 31, 2011.

Results from discontinued operations, which primarily arise from changes in estimate for certain liabilities for NiSource's former exploration and production subsidiary, CER, are provided in the following table:

Three Months Ended March 31, *(in millions)*	2012	2011
Revenues from Discontinued Operations	**$**	**$**
(Loss) Income from discontinued operations	**(0.2)**	0.6
Income tax (benefit) expense	**(0.1)**	0.2
(Loss) Income from Discontinued Operations - net of taxes	**$ (0.1)**	$ 0.4
Gain on Disposition of Discontinued Operations - net of taxes	**$**	**$**

7. Asset Retirement Obligations

Certain costs of removal that have been, and continue to be, included in depreciation rates and collected in the service rates of the rate-regulated subsidiaries are classified as "Regulatory liabilities and other removal costs" on the Condensed Consolidated Balance Sheets (unaudited).

Changes in NiSource's liability for asset retirement obligations for the three months ended March 31, 2012 and 2011 are presented in the table below:

(in millions)	2012	2011
Balance as of January 1,	**$ 146.4**	$ 138.8
Accretion expense	**0.2**	0.2
Accretion recorded as a regulatory asset/liability	**2.1**	1.7
Settlements	**(0.3)**	(0.6)
Balance as of March 31,	**$ 148.4**	$ 140.1

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

8. Regulatory Matters

Gas Distribution Operations Regulatory Matters

Significant Rate Developments . On June 27, 2011, Northern Indiana filed a settlement agreement with the IURC in which regulatory stakeholders agreed that Northern Indiana should adopt the WACOG accounting methodology instead of LIFO, Northern Indiana's historical method. On August 31, 2011, the IURC approved the settlement and Northern Indiana transitioned to WACOG accounting methodology beginning January 1, 2012.

On March 15, 2012, the IURC approved a settlement agreement with Northern Indiana and all participating parties to extend its product and services contained in its current gas ARP indefinitely.

On January 14, 2011, Columbia of Pennsylvania filed a base rate case with the Pennsylvania PUC, seeking a revenue increase of approximately $37.8 million annually. The parties jointly filed a petition for approval of a partial settlement on July 1, 2011. The partial settlement resolved all issues except residential rate design and a challenge to the structure of one of Columbia of Pennsylvania's customer programs. The settlement provides for an annual revenue increase of $17 million. The Pennsylvania PUC issued an order on October 14, 2011 approving the annual revenue increase of $17 million. New rates went into effect on October 18, 2011. The Pennsylvania PUC's ruling increased the minimum residential customer charge from $12.25 to $18.73, which includes an allowance for 20 Ccf of distribution charges. However, the customer pays for gas commodity on all usage.

On November 12, 2010, Columbia of Pennsylvania filed a petition for an order authorizing the company to revise its accounting methodology for the gas it holds in storage. Columbia of Pennsylvania had historically used Last-In First-Out (LIFO) accounting but sought permission to move to a Weighted Average Cost of Gas (WACOG) accounting methodology as a means of simplifying regulatory accounting and to realize the value of low-cost gas injected into storage decades ago. On February 4, 2011, Columbia of Pennsylvania filed a settlement agreement with the Pennsylvania PUC in which regulatory stakeholders agreed that Columbia of Pennsylvania should adopt the WACOG accounting methodology and provide the benefit of the low-cost gas supplies to its customers. On March 31, 2011, the Pennsylvania PUC approved the settlement and Columbia of Pennsylvania began to provide the projected benefit as a credit to its customers as a reduction to the Gas Cost Recovery rate. The credit to customers of $43.8 million was totally refunded by September 2011.

On September 29, 2010, Columbia of Pennsylvania filed tariff modifications with the Pennsylvania PUC, seeking permission to apply a BTU content billing adjustment to customers' metered volumetric consumption. The filing sought to account for high BTU content gas that is produced from Marcellus Shale, which burns hotter than gas from other sources, resulting in lower volumes than assumed in the design of the Columbia of Pennsylvania's rates. The proposed billing adjustment was designed to produce revenues reflective of the BTU content underlying the demand forecast in the design of Columbia of Pennsylvania's most recently approved base rates by synchronizing the BTU content used for billing with the BTU content used for rate design. If the billing adjustment had been in place for the twelve months ended June 30, 2010, it would have produced additional revenues of approximately $3.7 million due to the difference between the BTU value used in the design of the recently approved rates and the actual BTU value at the time of billing. By an Order entered on January 26, 2011, the Pennsylvania PUC consolidated this matter with Columbia of Pennsylvania's base rate case filed on January 14, 2011. As described above, on October 14, 2011, the Pennsylvania PUC approved a partial settlement of the base rate case. The partial settlement resolved the issue of BTU content whereby the parties agreed that Columbia of Pennsylvania would convert from usage-based billing to heat content billing by no later than the June 2012 billing cycle. Columbia of Pennsylvania began heat content billing, with a therm billing unit, on January 31, 2012.

On May 19, 2008 Columbia of Ohio filed an application with the PUCO to defer environmental remediation expenses. On September 24, 2008, the PUCO approved the application. Each year COH must report on the amounts deferred during the previous year. On December 6, 2011, COH filed its annual deferral report for the twelve months ended November 30, 2011. PUCO Staff filed its Comments on January 5, 2012, and objected to deferral of costs for a Toledo remediation project. As suggested by PUCO Staff, Columbia of Ohio capitalized $2.4 million in costs associated with the Toledo project which will be proposed for recovery as a component of future rate base.

ITEM 1. FINANCIAL STATEMENTS (continued)

SOURCE I NC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Columbia of Massachusetts filed an application to implement its Targeted Infrastructure Reinvestment Factor ("TIRF") on April 30, 2010. On October 29, 2010, the Massachusetts DPU approved Columbia of Massachusetts' proposed adjustment factor, to take effect November 1, 2010, subject to further investigation and reconciliation. On April 29, 2011, Columbia of Massachusetts filed its second annual application of its TIRF tracker for DPU approval for new rates to go into effect November 1, 2011. On October 31, 2011, the Massachusetts DPU approved Columbia of Massachusetts proposed adjustment factor subject to further investigation and reconciliation. On September 16, 2010, Columbia of Massachusetts filed a petition for approval to implement its first semi-annual revenue decoupling adjustment factor ("RDAF") for the Peak Period. That adjustment, which took effect on November 1, 2010, subject to further review and reconciliation, was approved by the DPU on March 23, 2011. Columbia of Massachusetts filed its application for approval of its Off-peak Period RDAF on March 15, 2011. The rate took effect on May 1, 2011, subject to further review and reconciliation by the DPU. On September 15, 2011, Columbia of Massachusetts filed a petition for approval of its second Peak Period RDAF, with a proposed effective date of November 1, 2011. On October 31, 2011, the Massachusetts DPU approved Columbia of Massachusetts' proposed adjustment factor subject to further investigation and reconciliation. On March 19, 2012, Columbia of Massachusetts filed its Off-Peak RDAF to take effect May 1, 2012. The filing is under review by the Massachusetts DPU.

On April 13, 2012, Columbia of Massachusetts submitted a filing with the Massachusetts DPU requesting an annual revenue requirement increase of $29.2 million. Columbia of Massachusetts filed using a historic test year ending December 31, 2011. Additionally, Columbia of Massachusetts proposed rate-year, rate base treatment, as well as modification to the TIRF. The rate-year, rate base treatment has been proposed to reduce the impact of regulatory lag. An order is expected later this year, with new rates going into effect on November 1, 2012.

On January 30, 2009, Columbia of Ohio filed an application with the PUCO to implement a gas supply auction. The auction replaced Columbia of Ohio's current GCR mechanism for providing commodity gas supplies to its sales customers. By Order dated December 2, 2009, the PUCO approved a stipulation that resolved all issues in the case. Pursuant to the stipulation, Columbia of Ohio conducted two consecutive one-year long standard service offer auction periods starting April 1, 2010 and April 1, 2011. On February 23, 2010, Columbia of Ohio held the first standard service offer auction which resulted in a final retail price adjustment of $1.93 per Mcf. On February 24, 2010 the PUCO issued an entry that approved the results of the auction and directed Columbia of Ohio to proceed with the implementation of the standard service offer process. On February 8, 2011, Columbia of Ohio held its second standard service offer auction which resulted in a retail price adjustment of $1.68 per Mcf. On February 9, 2011, the PUCO issued an entry that approved the results of the auction with the new retail price adjustment to become effective April 1, 2011. Several parties challenged the transition from a standard service offer auction to a standard choice offer auction and on September 7, 2011, the PUCO issued an Order authorizing Columbia of Ohio to implement a standard choice offer auction in February 2012. On October 7, 2011, the OCC filed an application for rehearing of the PUCO's Order. By Entry on Rehearing dated November 1, 2011, the PUCO denied the OCC's Application for Rehearing. On February 14, 2012, Columbia of Ohio held its first standard choice offer auction which resulted in a retail price adjustment of $1.53 per Mcf. On February 14, 2012, the PUCO issued an entry that approved the results of the auction with the new retail price adjustment to become effective April 1, 2012. With the implementation of the standard choice offer, Columbia of Ohio will report lower gross revenues and lower cost of sales. There is no impact on net revenues.

On October 3, 2011, Columbia of Ohio filed an application with PUCO, requesting authority to defer incurred charges to a regulatory asset for debt-based post-in-service carrying charges, depreciation and property taxes associated with Columbia of Ohio's capital program. Interested parties filed comments on Columbia of Ohio's application by February 17, 2012. Columbia of Ohio filed Reply Comments on February 27, 2012.

On November 30, 2011 Columbia of Ohio filed a Notice of Intent to file an application to adjust rates associated with Rider IRP and Rider DSM. On February 28, 2012, Columbia of Ohio filed its application to adjust rates associated with IRP and DSM Riders. The DSM Rider tracks and recovers costs associated with Columbia of Ohio's energy efficiency and conservation programs. The application sought to increase the annual revenue from the riders by approximately $27.9 million. On April 10, 2012, Columbia of Ohio reached a settlement with parties allowing for an increase in annual revenue from the Riders of approximately $27 million. It is anticipated that the PUCO will approve the settlement to become effective May 1, 2012.

On December 9, 2011 Columbia of Ohio filed a Notice of Intent to file an application to extend its Infrastructure Replacement Program. On January 6, 2012, the OCC filed a Memorandum Contra, arguing that Columbia of Ohio's base rates should be reviewed as part of the IRP extension process. Columbia of Ohio filed a Reply Memorandum on January 11, 2012. Columbia of Ohio filed an amended Notice of Intent and an amended Motion for Waiver on March 5, 2012.

On April 19, 2012, Columbia of Ohio filed an application that requests authority to increase its uncollectible expense rider rate in order to generate an additional $14.6 million in annual revenue in order to offset anticipated increases in uncollectible expenses.

Cost Recovery and Trackers . A significant portion of the distribution companies' revenue is related to the recovery of gas costs, the review and recovery of which occurs via standard regulatory proceedings. All states require periodic review of actual gas procurement activity to determine prudence and to permit the recovery of prudently incurred costs related to the supply of gas for customers. NiSource distribution companies have historically been found prudent in the procurement of gas supplies to serve customers.

Certain operating costs of the NiSource distribution companies are significant, recurring in nature, and generally outside the control of the distribution companies. Some states allow the recovery of such costs via cost tracking mechanisms. Such tracking mechanisms allow for abbreviated regulatory proceedings in order for the distribution companies to implement charges and recover appropriate costs. Tracking mechanisms allow for more timely recovery of such costs as compared with more traditional cost recovery mechanisms. Examples of such mechanisms include GCR adjustment mechanisms, tax riders, and bad debt recovery mechanisms.

Comparability of Gas Distribution Operations line item operating results is impacted by regulatory trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Increases in the expenses that are the subject of trackers, result in a corresponding increase in net revenues and therefore have essentially no impact on total operating income results.

Certain of the NiSource distribution companies have completed rate proceedings involving infrastructure replacement or are embarking upon regulatory initiatives to replace significant portions of their operating systems that are nearing the end of their useful lives. Each L[illegible] approach to cost recovery may be unique, given the different laws, regulations and precedent that exist in each jurisdiction.

Gas Transmission and Storage Operations Regulatory Matters

Columbia Gulf Rate Case. On October 28, 2010, Columbia Gulf filed a rate case with the FERC, proposing a rate increase and tariff changes. Among other things, the filing proposed a revenue increase of approximately $50 million to cover increases in the cost of services, which includes adjustments for operation and maintenance expenses, capital investments, adjustments to depreciation rates and expense, rate of return, and increased federal, state and local taxes. On November 30, 2010, the FERC issued an Order allowing new rates to become effective by May 2011, subject to refund. Columbia Gulf placed new rates into effect, subject to refund, on May 1, 2011. Columbia Gulf and the active parties to the case negotiated a settlement, which was filed with the FERC on September 9, 2011. On September 30, 2011, the Chief Judge severed the issues relating to a contesting party for separate hearing and decision. On October 4, 2011, the Presiding Administrative Law Judge certified the settlement agreement as uncontested to the FERC with severance of the contesting party from the settlement. On November 1, 2011, Columbia Gulf began billing interim rates to customers. On December 1, 2011, the FERC issued an order approving the settlement without change. The key elements of the settlement, which was a "black box agreement", include: (1) increased base rate to $0.1520 per Dth and (2) establishing a postage stamp rate design. No protests to the order were filed and therefore, pursuant to the Settlement, the order became final on January 1, 2012 which made the settlement effective on February 1, 2012. On February 2, 2012, the Presiding Administrative Law Judge issued an initial decision granting a joint motion terminating the remaining litigation with the contesting party and allowing it to become a settling party. The FERC issued an order on March 15, 2012, affirming the initial decision, which terminated the remaining litigation with the contesting party. Refunds of approximately $16 million, accrued as of December 31, 2011, were disbursed to settling parties in March 2012.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Electric Operations Regulatory Matters

Significant Rate Developments. On July 18, 2011, Northern Indiana filed with the IURC a settlement in its 2010 Electric Rate Case with the OUCC, Northern Indiana Industrial Group, NLMK Indiana and Indiana Municipal Utilities Group. The settlement agreement limited the proposed base rate impact to the residential customer class to a 4.5% increase. The parties have also agreed to a rate of return of 6.98% based upon a 10.2% return on equity. The settlement also resolves all pending issues related to compliance with the August 25, 2010 Order in the 2008 Electric Rate Case. On December 21, 2011, the IURC issued an Order approving the Settlement Agreement as filed, and new electric base rates became effective on December 27, 2011. On January 20, 2012, the City of Hammond filed an appeal of the IURC's December 21, 2011 Order. That appeal is pending.

During 2002, Northern Indiana settled certain regulatory matters related to an electric rate review. On September 23, 2002, the IURC issued an Order adopting most aspects of the settlement. The Order approving the settlement provided that certain electric customers of Northern Indiana would receive bill credits of approximately $55.1 million each year. The credits continued at approximately the same annual level and per the same methodology, until the IURC approval and implementation of new customer rates, which occurred on December 27, 2011. A final reconciliation of the credits will occur in a future fuel cost filing according to the terms of the approved settlement in the 2010 Electric Rate Case. Credits amounting to $(0.9) million and $13.0 million were recognized for electric customers for the first quarter of 2012 and 2011, respectively.

On December 9, 2009, the IURC issued an Order in its generic DSM investigation proceeding establishing an overall annual energy savings goal of 2% to be achieved by Indiana jurisdictional electric utilities in 10 years, with interim savings goals established in years one through nine. On May 25, 2011, the IURC issued an Order approving a tracker mechanism to recover the costs associated with these energy efficiency programs. On July 27, 2011, the IURC issued an Order approving the energy efficiency programs. On February 1, 2012, Northern Indiana submitted a petition to the IURC to recover lost margins, and an evidentiary hearing is scheduled for July 31, 2012.

Recovery and Trackers. A significant portion of Northern Indiana's revenue is related to the recovery of fuel costs to generate power the fuel costs related to purchased power. These costs are recovered through a FAC, a standard, quarterly, "summary" regulatory proceeding in Indiana.

As part of a multi-state effort to strengthen the electric transmission system serving the Midwest, Northern Indiana anticipates making an investment in a new, 100-mile, 345-kilovolt transmission project in northern Indiana. The project, a major new transmission system improvement reviewed and authorized by the MISO, is scheduled to be in service during the latter part of the decade. On March 16, 2012, Northern Indiana filed with the FERC for incentives for this transmission project, including all construction work in progress in rate base. Northern Indiana has also been identified by the MISO as one of two Transmission Owners to invest in another project. On February 8, 2012, Pioneer Transmission, LLC filed a complaint with the FERC, seeking to obtain 100 percent of the investment rights in this second project. The last Response was filed by Northern Indiana on March 27, 2012.

In the Order issued on August 25, 2010, the IURC approved an RTO tracker for recovery of MISO non-fuel costs and revenues and off-system sales sharing and ordered that purchased power costs and fuel-related MISO charge types be recovered in the FAC. The IURC also approved a purchase capacity tracker referred to as the RA Tracker. Similar treatment was requested in the 2010 Electric Rate Case filing and approved in the December 21, 2011 Order approving the Settlement Agreement. The implementation of such trackers coincides with the implementation of new customer rates. Northern Indiana made its first filings for recovery of costs under the RTO and RA mechanisms on February 2, 2012. The RTO filing also seeks authorization from the IURC to retain certain revenues under MISO Schedule 26-A to support investments in Northern Indiana's Multi-Value Projects under MISO's 2011 transmission expansion plan. On April 10, 2012, the IURC approved a procedural schedule to consider the retention of MISO Schedule 26-A revenues. The hearing date is set for May 14, 2012.

As part of the August 25, 2010 Order, a new "purchase power benchmark" became effective. This purchase power benchmark superseded the one made effective by a settlement in October 2007. The benchmark is based upon the costs of power generated by a hypothetical natural gas fired unit using gas purchased and delivered to Northern Indiana. During the quarters ended March 31, 2012 and 2011, no purchased power costs exceeded the benchmark.

On March 22, 2011, Northern Indiana filed a petition with the IURC for a certificate of public convenience and necessity and associated relief for the construction of additional environmental projects required to comply with the NOV consent decree lodged in the United States District Court for the Northern District of Indiana on January 13, 2011. Refer to Note 19-C, "Environmental Matters," for additional information. This petition has since been trifurcated into three separate phases. On December 28, 2011, the IURC issued an order for the Phase I projects estimated to cost $500 million and granting the requested ratemaking and accounting relief associated with these Phase I projects. On February 15, 2012, the IURC issued an order for the Phase II projects. The proposed construction of a FGD unit on Michigan City Generating Station Unit 12 is the subject of Phase III of this proceeding. On February 14, 2012, the IURC issued a procedural schedule for the Phase III projects, which includes an evidentiary hearing scheduled on May 10, 2012.

On February 7, 2012, Northern Indiana filed ECR-19 and EER-9, the filing implementing the ECT, which included $109.6 million of net capital expenditures and operation and maintenance and depreciation expenses of $32.6 million for the period ended December 31, 2011.

9. Risk Management Activities

NiSource is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are commodity price risk and interest rate risk. Derivative natural gas contracts are entered into to manage the price risk associated with natural gas price volatility and to secure forward natural gas prices. Interest rate swaps are entered into to manage interest rate risk associated with NiSource's fixed-rate borrowings. NiSource designates some of its commodity forward contracts as cash flow hedges of forecasted purchases of commodities and designates its interest rate swaps as fair value hedges of fixed-rate borrowings. Additionally, certain NiSource subsidiaries enter into forward physical contracts with various third parties to procure or sell natural gas or power. Certain forward physical contracts are derivatives which qualify for the normal purchase and normal sales exception which do not require mark-to-market accounting.

Accounting Policy for Derivative Instruments. The ASC topic on accounting for derivatives and hedging requires an entity to recognize all derivatives as either assets or liabilities on the Consolidated Balance Sheets at fair value, unless such contracts are exempted such as a normal purchase and normal sale contract under the provisions of the ASC topic. The accounting for changes in the fair value of a derivative de on the intended use of the derivative and resulting designation.

NiSource uses a variety of derivative instruments (exchange traded futures and options, physical forwards and options, basis contracts, financial commodity swaps, and interest rate swaps) to effectively manage its commodity price risk and interest rate risk exposure. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or (b) a hedge of the exposure to variable cash flows of a forecasted transaction. In order for a derivative contract to be designated as a hedge, the relationship between the hedging instrument and the hedged item or transaction must be highly effective. The effectiveness test is performed at the inception of the hedge and each reporting period thereafter, throughout the period that the hedge is designated. Any amounts determined to be ineffective are recognized currently in earnings. For derivative contracts that qualify for the normal purchase and normal sales exception, a contract's fair value is not recognized in the Consolidated Financial Statements until the contract is settled.

Unrealized and realized gains and losses are recognized each period as components of AOCI, regulatory assets and liabilities or earnings depending on the designation of the derivative instrument. For subsidiaries that utilize derivatives for cash flow hedges, the effective portions of the gains and losses are recorded to AOCI and are recognized in earnings concurrent with the disposition of the hedged risks. If a forecasted transaction corresponding to a cash flow hedge is no longer probable to occur, the accumulated gains or losses on the derivative are recognized currently in earnings. For fair value hedges, the gains and losses are recorded in earnings each period together with the change in the fair value of the hedged item. As a result of the rate-making process, the rate-regulated subsidiaries generally record gains and losses as regulatory liabilities or assets and recognize such gains or losses in earnings when both the contracts settle and the physical commodity flows. These gains and losses recognized in earnings are then subsequently recovered or passed back to customers in revenues through rates. When gains and losses are recognized in earnings, they are recognized in revenues or cost of sales for derivatives that correspond to commodity risk activities and are recognized in interest expense for derivatives that correspond to interest-rate risk activities.

NiSource has elected not to net fair value amounts for its derivative instruments or the fair value amounts recognized for its right to receive cash collateral or obligation to pay cash collateral arising from those derivative instruments recognized at fair value, which are executed with the same counterparty under a master netting arrangement. NiSource discloses amounts recognized for the right to reclaim cash collateral within "Restricted cash" and amounts recognized for the right to return cash collateral within "Other accruals" on the Consolidated Balance Sheets.

Commodity Price Risk Programs . NiSource and NiSource's utility customers are exposed to variability in cash flows associated with natural gas purchases and volatility in natural gas prices. NiSource purchases natural gas for sale and delivery to its retail, commercial and industrial customers, and for most customers the variability in the market price of gas is passed through in their rates. Some of NiSource's utility subsidiaries offer programs where variability in the market price of gas is assumed by the respective utility. The objective of NiSource's commodity price risk programs is to mitigate this gas cost variability, for NiSource or on behalf of its customers, associated with natural gas purchases or sales by economically hedging the various gas cost components by using a combination of futures, options, forward physical contracts, basis swap contracts or other derivative contracts. Northern Indiana also uses derivative contracts to minimize risk associated with power price volatility. These commodity price risk programs and their respective accounting treatment are described below.

Northern Indiana, Columbia of Pennsylvania, Columbia of Kentucky, Columbia of Maryland and Columbia of Virginia use NYMEX futures and NYMEX options to minimize risk associated with gas price volatility. These derivative programs must be marked to fair value, but because these derivatives are used within the framework of the companies' GCR or FAC mechanism, regulatory assets or liabilities are recorded to offset the change in the fair value of these derivatives.

Northern Indiana and Columbia of Virginia offer a fixed price program as an alternative to the standard GCR mechanism. These services provide certain customers with the opportunity to either lock in their gas cost or place a cap on the gas costs that would be charged in future months. In order to hedge the anticipated physical purchases associated with these obligations, forward physical contracts, NYMEX futures and NYMEX options are used to secure forward gas prices. The accounting treatment elected for these contracts is varied in that certain of these contracts have been accounted for as cash flow hedges while some contracts are not. The accounting treatment is based on the election of the ...any. The normal purchase and normal sales exception is elected for forward physical contracts associated with these programs where ...ery of the commodity is probable to occur.

Northern Indiana also offers a DependaBill program to its customers as an alternative to the standard tariff rate that is charged to residential customers. The program allows Northern Indiana customers to fix their total monthly bill in future months at a flat rate regardless of gas usage or commodity cost. In order to hedge the anticipated physical purchases associated with these obligations, forward physical contracts, NYMEX futures and NYMEX options have been used to secure forward gas prices. The normal purchase and normal sales exception is elected for forward physical contracts associated with these programs where delivery of the commodity is probable to occur.

Northern Indiana enters into gas purchase contracts at first of the month prices that give counterparties the daily option to either sell an additional package of gas at first of the month prices or recall the original volume to be delivered. Northern Indiana charges a fee for this option. The changes in the fair value of these options are primarily due to the changing expectations of the future intra-month volatility of gas prices. These written options are derivative instruments, must be marked to fair value and do not meet the requirement for hedge accounting treatment. However, Northern Indiana records the related gains and losses associated with these transactions as a regulatory asset or liability.

Columbia of Kentucky, Columbia of Ohio and Columbia of Pennsylvania enter into contracts that allow counterparties the option to sell gas to them at first of the month prices for a particular month of delivery. These Columbia LDCs charge the counterparties a fee for this option. The changes in the fair value of the options are primarily due to the changing expectations of the future intra-month volatility of gas prices. These Columbia LDCs defer a portion of the change in the fair value of the options as either a regulatory asset or liability based on the regulatory customer sharing mechanisms in place, with the remaining changes in fair value recognized currently in earnings.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

As part of the MISO Day 2 initiative, Northern Indiana was allocated or has purchased FTRs. These FTRs help Northern Indiana offset congestion costs due to the MISO Day 2 activity. The FTRs are marked to fair value and are not accounted for as a hedge, but since congestion costs are recoverable through the fuel cost recovery mechanism, the related gains and losses associated with marking these derivatives to market are recorded as a regulatory asset or liability. In the second quarter of 2008, MISO changed its allocation procedures from an allocation of FTRs to an allocation of ARRs, whereby Northern Indiana was allocated ARRs based on its historical use of the MISO administered transmission system. ARRs entitle the holder to a stream of revenues or charges based on the price of the associated FTR in the FTR auction, so ARRs can be used to purchase FTRs in the FTR auction. ARRs are not derivatives.

NiSource is in the process of winding down its unregulated natural gas marketing business, where gas financial contracts are utilized to economically hedge expected future gas purchases associated with forward gas agreements. These financial contracts, as well as the associated forward physical sales contracts, are derivatives and are marked-to-market with all associated gains and losses recognized to income. NiSource established a reserve of $3.5 million and $25.6 million against certain derivatives as of March 31, 2012 and December 31, 2011, respectively. This amount represents reserves related to the creditworthiness of certain customers, fair value of future cash flows, and the cost of maintaining significant amounts of restricted cash. The physical sales contracts marked-to-market had a fair value of approximately $72.9 million at March 31, 2012 and $136.8 million at December 31, 2011, while the financial derivative contracts marked-to-market had a fair value loss of $115.8 million at March 31, 2012, and $155.5 million at December 31, 2011. During the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million on certain assets related to the wind down of the unregulated natural gas marketing business. During the first quarter of 2012, NiSource settled a majority of the contracts related to the reserve noted above. As a result, NiSource wrote off $43.8 million of price risk assets and recorded notes receivable of $20.7 million.

On October 31, 2011, cash and derivatives broker-dealer MF Global filed for Chapter 11 bankruptcy protection. MF Global brokered NYMEX hedges of natural gas futures on behalf of NiSource affiliates. At the date of bankruptcy, NiSource affiliates had contracts open with MF Global with settlement dates ranging from November 2011 to February 2014. On November 3, 2011, these contracts were measured at a mark-to-market loss of approximately $46.4 million. NiSource affiliates had posted initial margin to open these accounts of $6.9 million and additional maintenance margin for mark-to-market losses, for a total cash balance of $53.3 million. Within the first week after the filing, at the direction of the Bankruptcy Court, a transfer of assets was initiated on behalf of NiSource affiliates to a court-designated replacement broker for future trade activity. The existing futures positions were closed and then rebooked with the replacement broker at the new closing prices as of November 3, 2011. Initial margin on deposit at MF Global of $5.7 million was transferred to the court-designated replacement broker. The maintenance margin was retained by MF Global to offset the loss positions of the open contracts on November 3, 2011. NiSource affiliates are monitoring the activity in the bankruptcy case and have filed a proof of claim at the Court's direction. As of March 31, 2012, NiSource affiliates maintained a reserve for the $1.2 million difference between the initial margin posted with MF Global and the cash transferred to the court-designated replacement broker as a loss contingency.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Commodity price risk program derivative contracted gross volumes are as follows:

	March 31, 2012	December 31, 2011
Commodity Price Risk Program:		
Gas price volatility program derivatives (MMDth)	23.3	26.1
Price Protection Service program derivatives (MMDth)	0.5	1.0
DependaBill program derivatives (MMDth)	0.2	0.3
Regulatory incentive program derivatives (MMDth)	-	0.9
Gas marketing program derivatives (MMDth) [a]	16.4	28.5
Gas marketing forward physical derivatives (MMDth) [b]	16.0	27.1
Electric energy program FTR derivatives (mw) [c]	4,478.5	8,578.5

(a) Basis contract volumes not included in the above table were 16.5 MMDth and 15.9 MMDth as of March 31, 2012 and December 31, 2011, respectively.

(b) Basis contract volumes not included in the above table were 24.1 MMDth and 29.9 MMDth as of March 31, 2012 and December 31, 2011, respectively.

(c) Megawatt hours reported in thousands

Interest Rate Risk Activities . NiSource recognizes that the prudent and selective use of derivatives may help it to lower its cost of debt capital and manage its interest rate exposure. NiSource Finance has entered into various "receive fixed" and "pay floating" interest rate swap agreements which modify the interest rate characteristics of a portion of its outstanding long-term debt from fixed to variable rate. These interest rate swaps also serve to hedge the fair market value of NiSource Finance's outstanding debt portfolio. As of March 31, 2012, NiSource had $6.6 billion of outstanding fixed rate debt, of which $500.0 million is subject to fluctuations in interest rates as a result of the fixed-to-variable interest rate swap transactions. These interest rate swaps are designated as fair value hedges. NiSource had no net gain or loss recognized in earnings due to hedging ineffectiveness for the three months ended March 31, 2012 and 2011.

On July 22, 2003, NiSource Finance entered into fixed-to-variable interest rate swap agreements in a notional amount of $500 million with four counterparties with an 11-year term. NiSource Finance receives payments based upon a fixed 5.40% interest rate and pays a floating interest amount based on U.S. 6-month BBA LIBOR plus an average of 0.78% per annum. There was no exchange of premium at the initial date of the swaps. In addition, each party has the right to cancel the swaps on July 15, 2013.

Contemporaneously with the issuance on September 16, 2005 of $1 billion of its 5.25% and 5.45% notes, maturing September 15, 2017 and 2020, respectively, NiSource Finance settled $900 million of forward starting interest rate swap agreements with six counterparties. NiSource paid an aggregate settlement payment of $35.5 million which is being amortized from AOCI to interest expense over the term of the underlying debt, resulting in an effective interest rate of 5.67% and 5.88%, respectively. As of March 31, 2012, AOCI includes $10.9 million related to forward starting interest rate swap settlement, net of tax. These derivative contracts are accounted for as a cash flow hedge.

As of March 31, 2012, NiSource holds a 47.5% interest in Millennium. As NiSource reports Millennium as an equity method investment, NiSource is required to recognize a proportional share of Millennium's OCI. NiSource's proportionate share of the remaining unrealized loss associated with a settled interest rate swap is $19.4 million, net of tax, as of March 31, 2012. Millennium is amortizing the unrealized loss related to these terminated interest rate swaps into earnings using the effective interest method through interest expense as interest payments are made. NiSource records its proportionate share of the amortization as Equity Earnings in Unconsolidated Affiliates in the Condensed Statements of Consolidated Income (unaudited).

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

NiSource's location and fair value of derivative instruments on the Condensed Consolidated Balance Sheets (unaudited) were:

Asset Derivatives *(in millions)*	**March 31, 2012**	December 31, 2011
Balance Sheet Location	**Fair Value (a)**	Fair Value (a)
Derivatives designated as hedging instruments		
Interest rate risk activities		
Price risk management assets (current)	**$ -**	$ -
Price risk management assets (noncurrent)	**47.7**	56.7
Total derivatives designated as hedging instruments	**$ 47.7**	$ 56.7
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management assets (current)	**$ 143.1**	$ 141.8
Price risk management assets (noncurrent)	**67.5**	150.0
Total derivatives not designated as hedging instruments	**$ 210.6**	$ 291.8
Total Asset Derivatives	**$ 258.3**	$ 348.5

(a) During the fourth quarter of 2011, NiSource recorded reserves of $22.6 million ($4.6 million current and $18.0 million noncurrent) on certain assets related to the wind down of the unregulated natural gas marketing business. As of March 31, 2012, $1.7 million ($1.2 million current and $0.5 million noncurrent) of these reserves remain. The non-designated price risk asset amounts above are shown gross and have not been adjusted for the reserves.

Liability Derivatives *(in millions)*	**March 31, 2012**	December 31, 2011
Balance Sheet Location	**Fair Value**	Fair Value
Derivatives designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	**$ 0.3**	$ 0.4
Price risk management liabilities (noncurrent)	**0.1**	0.1
Total derivatives designated as hedging instruments	**$ 0.4**	$ 0.5
Derivatives not designated as hedging instruments		
Commodity price risk programs		
Price risk management liabilities (current)	**$ 180.1**	$ 167.4
Price risk management liabilities (noncurrent)	**94.8**	138.8
Total derivatives not designated as hedging instruments	**$ 274.9**	$ 306.2
Total Liability Derivatives	**$ 275.3**	$ 306.7

ITEM 1. FINANCIAL STATEMENTS (continued)

SOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The effect of derivative instruments on the Condensed Statements of Consolidated Income (unaudited) was:

Derivatives in Cash Flow Hedging Relationships

Three Months Ended, *(in millions)* :

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivative (Effective Portion)		Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	
	March 31, 2012	March 31, 2011		**March 31, 2012**	March 31, 2011
Commodity price risk programs	**$ 0.3**	$ 0.5	Cost of Sales	**$ 0.5**	$ 0.6
Interest rate risk activities	**0.4**	0.4	Interest expense, net	**(0.7)**	(0.7)
Total	**$ 0.7**	$ 0.9		**$ (0.2)**	$ (0.1)

Three Months Ended, *(in millions)* :

Derivatives in Cash Flow Hedging Relationships	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
		March 31, 2012	March 31, 2011
Commodity price risk programs	Cost of Sales	**$ -**	$ -
Interest rate risk activities	Interest expense, net	**-**	-
Total		**$ -**	$ -

It is anticipated that during the next twelve months the expiration and settlement of cash flow hedge contracts will result in income statement recognition of amounts currently classified in AOCI of approximately $0.4 million of loss, net of taxes.

Derivatives in Fair Value Hedging Relationships

Three Months Ended, *(in millions)*

Derivatives in Fair Value Hedging Relationships	Location of Loss Recognized in Income on Derivatives	Amount of Loss Recognized in Income on Derivatives	
		March 31, 2012	March 31, 2011
Interest rate risk activities	Interest expense, net	**$ (9.0)**	$ (10.3)
Total		**$ (9.0)**	$ (10.3)

Three Months Ended, *(in millions)*

Hedged Item in Fair Value Hedge Relationships	Location of Gain Recognized in Income on Related Hedged Item	Amount of Gain Recognized in Income on Related Hedged Items	
		March 31, 2012	March 31, 2011
Fixed-rate debt	Interest expense, net	**$ 9.0**	$ 10.3
Total		**$ 9.0**	$ 10.3

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ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Derivatives not designated as hedging instruments

Three Months Ended, *(in millions)*

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Realized/Unrealized Gain (Loss) Recognized in Income on Derivatives *	
		March 31, 2012	March 31, 2011
Commodity price risk programs	Gas Distribution revenues	**$ 0.2**	$ (21.7)
Commodity price risk programs	Other revenues	**(1.7)**	10.6
Commodity price risk programs	Cost of Sales	**(21.1)**	(2.4)
Total		**$ (22.6)**	$ (13.5)

* For the amounts of realized/unrealized gain (loss) recognized in income on derivatives disclosed in the table above, losses of $19.8 million and $22.6 million for the first quarter of 2012 and 2011, respectively, were deferred as allowed per regulatory orders. These amounts will be amortized to income over future periods of up to twelve months as specified in a regulatory order.

NiSource's derivative instruments measured at fair value as of March 31, 2012 and December 31, 2011 do not contain any credit-risk-related contingent features.

Certain NiSource affiliates have physical commodity purchase agreements that contain "ratings triggers" that require increases in collateral if the credit rating of NiSource or certain of its affiliates are rated below BBB- by Standard & Poor's or below Baa3 by Moody's. These agreements are primarily for the physical purchase or sale of natural gas and electricity. The collateral requirement from a downgrade below the ratings trigger levels would amount to approximately $2.1 million. In addition to agreements with ratings triggers, there are some agreements that contain "adequate assurance" or "material adverse change" provisions that could result in additional credit support such as letters of credit and cash collateral to transact business.

NiSource had $148.2 million and $158.2 million of cash on deposit with brokers for margin requirements associated with open derivative positions reflected within "Restricted cash" on the Condensed Consolidated Balance Sheets (unaudited) as of March 31, 2012 and December 31, 2011, respectively.

10. Fair Value Disclosures

A. Fair Value Measurements.

Recurring Fair Value Measurements. The following tables present financial assets and liabilities measured and recorded at fair value on NiSource's Condensed Consolidated Balance Sheets (unaudited) on a recurring basis and their level within the fair value hierarchy as of March 31, 2012 and December 31, 2011:

Recurring Fair Value Measurements March 31, 2012 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2012
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ -	$ 75.3	$ -	$ 75.3
Financial price risk programs (a)	133.6	1.6	0.1	135.3
Interest rate risk activities	-	47.7	-	47.7
Available-for-sale securities	29.7	66.8	-	96.5
Total	$ 163.3	$ 191.4	$ 0.1	$ 354.8
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ -	$ 0.7	$ -	$ 0.7
Financial price risk programs	273.3	1.3	-	274.6
Total	$ 273.3	$ 2.0	$ -	$ 275.3

(a) The financial price risk program amount above is shown gross and has not been adjusted for a reserve of $1.7 million on certain assets related to the wind down of the unregulated natural gas marketing business.

Recurring Fair Value Measurements December 31, 2011 *(in millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2011
Assets				
Commodity Price risk management assets:				
Physical price risk programs	$ -	$ 140.7	$ -	$ 140.7
Financial price risk programs (a)	148.3	2.5	0.3	151.1
Interest rate risk activities	-	56.7	-	56.7
Available-for-sale securities	32.9	63.1	-	96.0
Total	$ 181.2	$ 263.0	$ 0.3	$ 444.5
Liabilities				
Commodity Price risk management liabilities:				
Physical price risk programs	$ -	$ 3.9	$ -	$ 3.9
Financial price risk programs	301.1	1.7	-	302.8
Total	$ 301.1	$ 5.6	$ -	$ 306.7

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

(a) During the fourth quarter of 2011, NiSource recorded a reserve of $22.6 million on certain assets related to the wind down of the unregulated natural gas marketing business. The financial price risk program amount above is shown gross and has not been adjusted for the reserve.

Price risk management assets and liabilities include commodity exchange-traded and non-exchange-based derivative contracts. Exchange-traded derivative contracts are generally based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. NiSource uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs, i.e., inputs derived principally from or corroborated by observable market data by correlation or other means. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures. As of March 31, 2012 and 2011, there were no material transfers between fair value hierarchies. Additionally there were no changes in the method or significant assumptions used to estimate the fair value of NiSource's financial instruments.

To determine the fair value of derivatives associated with NiSource's unregulated natural gas marketing business, certain reserves were calculated. These reserves were primarily determined by evaluating the credit worthiness of certain customers, fair value of future cash flows, and the cost of maintaining restricted cash. Refer to Note 9, "Risk Management Activities" for additional information on price risk assets.

Price risk management assets also include fixed-to-floating interest-rate swaps, which are designated as fair value hedges, as a mea achieve NiSource's targeted level of variable-rate debt as a percent of total debt. NiSource uses a calculation of future cash inflows estimated future outflows related to the swap agreements, which are discounted and netted to determine the current fair value. Additional inputs to the present value calculation include the contract terms, as well as market parameters such as current and projected interest rates and volatility. As they are based on observable data and valuations of similar instruments, the interest-rate swaps are categorized in Level 2 in the fair value hierarchy. Credit risk is considered in the fair value calculation of the interest rate swap.

Available-for-sale securities are investments pledged as collateral for trust accounts related to NiSource's wholly-owned insurance company. Available-for-sale securities are included within "Other investments" in the Condensed Consolidated Balance Sheets (unaudited). Securities classified within Level 1 include U.S. Treasury debt securities which are highly liquid and are actively traded in over-the-counter markets. NiSource values corporate and mortgage-backed debt securities using a matrix pricing model that incorporates market-based information. These securities trade less frequently and are classified within Level 2. Total gains and losses from available-for-sale securities are included in other comprehensive income (loss). The amortized cost, gross unrealized gains and losses, and fair value of available-for-sale debt securities at March 31, 2012 and December 31, 2011 were:

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, March 31, 2012				
U.S. Treasury	$ 33.9	$ 1.4	$ -	$ 35.3
Corporate/Other	59.5	1.8	(0.1)	61.2
Total Available-for-sale debt securities	**$ 93.4**	**$ 3.2**	**$ (0.1)**	**$ 96.5**

M 1. FINANCIAL STATEMENTS (continued)

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Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

(in millions)	Amortized Cost	Total Gains	Total Losses	Fair Value
Available-for-sale debt securities, December 31, 2011				
U.S. Treasury	$ 36.7	$ 1.7	$ -	$ 38.4
Corporate/Other	56.3	1.6	(0.3)	57.6
Total Available-for-sale debt securities	**$ 93.0**	**$ 3.3**	**$ (0.3)**	**$ 96.0**

For the three months ended March 31, 2012 and 2011, the net realized gain on the sale of available-for-sale U.S. Treasury debt securities was zero and $0.1 million, respectively. For the three months ended March 31, 2012 and 2011, the net realized gain on sale of available-for-sale Corporate/Other bond debt securities was zero and $0.5 million, respectively.

The cost of maturities sold is based upon specific identification. At March 31, 2012, all of the U.S. Treasury debt securities have maturities of greater than one year. At March 31, 2012, approximately $1.2 million of Corporate/Other bonds have maturities of less than a year while the remaining securities have maturities of greater than one year.

The following tables present the fair value reconciliation of Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended March 31, 2012 and 2011:

Three Months Ended March 31, 2012 *(in millions)*	Other Derivatives
Balance as of January 1, 2012	$ 0.3
Total gains or (losses) (unrealized/realized)	
Included in regulatory assets/liabilities	(0.2)
Balance as of March 31, 2012	$ 0.1
ge in unrealized gains/(losses) relating to instruments still held as of March 31, 2012	$ -

Three Months Ended March 31, 2011 *(in millions)*	Other Derivatives
Balance as of January 1, 2011	$ 0.2
Total gains or losses (unrealized/realized)	
Included in regulatory assets/liabilities	(0.4)
Purchases	(0.4)
Settlements	0.5
Balance as of March 31, 2011	$ (0.1)
Change in unrealized gains/(losses) relating to instruments still held as of March 31, 2011	$ (0.9)

Non-recurring Fair Value Measurements. There were no significant non-recurring fair value measurements recorded during the three months ended March 31, 2012 and 2011.

B. Other Fair Value Disclosures for Financial Instruments. NiSource has certain financial instruments that are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, customer deposits and short-term borrowings. NiSource's long-term borrowings are recorded at historical amounts unless designated as a hedged item in a fair value hedge.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value.

Long-term Debt. The fair values of these securities are estimated based on the quoted market prices for the same or similar issues or on the rates offered for securities of the same remaining maturities. Certain premium costs associated with the early settlement of long-term debt are not taken into consideration in determining fair value. These fair value measurements are classified as Level 2 within the fair value hierarchy. For the quarters ending March 31, 2012 and 2011, there were no changes in the method or significant assumptions used to estimate the fair value of the financial instruments.

The carrying amount and estimated fair values of financial instruments were as follows:

(in millions)	Carrying Amount as of March 31, 2012	Estimated Fair Value as of March 31, 2012	Carrying Amount as of Dec. 31, 2011	Estimated Fair Value as of Dec. 31, 2011
Long-term debt (including current portion)	6,585.2	7,420.5	6,594.4	7,369.4

11. Transfers of Financial Assets

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term borrowings on the Condensed Consolidated Balance Sheets (unaudited). The maximum amount of debt that can be recognized related to NiSource's accounts receivable programs is $515 million.

All accounts receivables sold to the commercial paper conduits are valued at face value, which approximate fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables sold is determined in part by required loss reserves under the agreements. Below is information about the accounts receivable securitization agreements entered into by NiSource's subsidiaries.

On October 23, 2009, Columbia of Ohio entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CGORC, a wholly-owned subsidiary of Columbia of Ohio. CGORC, in turn, is party to an agreement with BTMU and RBS, also dated October 23, 2009, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to commercial paper conduits sponsored by BTMU and RBS. On October 21, 2011, the agreement was renewed with an amendment increasing the maximum seasonal program limit from $200 million to $240 million. The amended agreement expires on October 19, 2012, and can be renewed if mutually agreed to by all parties. As of March 31, 2012, $161.4 million of accounts receivable had been transferred by CGORC. CGORC is a separate corporate entity from NiSource and Columbia of Ohio, with its own separate obligations, and upon a liquidation of CGORC, CGORC's obligations must be satisfied out of CGORC's assets prior to any value becoming available to CGORC's stockholder. Under the agreement, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

On October 23, 2009, Northern Indiana entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to NARC, a wholly-owned subsidiary of Northern Indiana. NARC, in turn, is party to an agreement with RBS, also dated October 23, 2009, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by RBS. The maximum seasonal program limit under the terms of the agreement is $200 million. On August 31, 2011, the agreement was renewed, having a new scheduled termination date of August 29, 2012, and can be further renewed if mutually agreed to by both parties. As of March 31, 2012, $169.3 million of accounts receivable had been transferred by NARC. NARC is a separate corporate entity from NiSource and Northern Indiana, with its own separate obligations, and upon a liquidation of NARC, NARC's obligations must be satisfied out of NARC's assets prior to any value becoming available to NARC's stockholder. Under the agreement, an event of termination occurs if Northern Indiana's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB or Ba2 at either Standard & Poor's or Moody's, respectively.

On March 15, 2010, Columbia of Pennsylvania entered into an agreement to sell, without recourse, substantially all of its trade receivables, as they originate, to CPRC, a wholly-owned subsidiary of Columbia of Pennsylvania. CPRC, in turn, is party to an agreement with BTMU, also dated March 15, 2010, under the terms of which it sells an undivided percentage ownership interest in its accounts receivable to a commercial paper conduit sponsored by

BTMU. The maximum seasonal program limit under the terms of the agreement is $75 million. On March 13, 2012, the agreement was renewed, having a new scheduled termination date of March 12, 2013, and can be further renewed if mutually agreed to by both parties. As of March 31, 2012, $45.9 million of accounts receivable had been transferred by CPRC. CPRC is a separate corporate entity from NiSource and Columbia of Pennsylvania, with its own separate obligations, and upon a liquidation of CPRC, CPRC's obligations must be satisfied out of CPRC's assets prior to any value becoming available to CPRC's stockholder. Under the agreement, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

The following table reflects the gross and net receivables transferred as well as short-term borrowings related to the securitization transactions as of March 31, 2012 and December 31, 2011 for Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania:

(in millions)	**March 31, 2012**	December 31, 2011
Gross Receivables	**$ 446.4**	$ 510.5
Less: Receivables not transferred	**69.8**	278.8
Net receivables transferred	**$ 376.6**	$ 231.7
Short-term debt due to asset securitization	**$ 376.6**	$ 231.7

For the three months ended March 31, 2012 and 2011, $1.1 million and $1.5 million of fees associated with the securitization transactions were recorded as interest expense, respectively. Columbia of Ohio, Northern Indiana and Columbia of Pennsylvania remain responsible for collecting on the receivables securitized and the receivables cannot be sold to another party.

12. Goodwill Assets

In accordance with the provisions for goodwill accounting under GAAP, NiSource tests its goodwill for impairment annually as of June 30 of each year unless indicators, events, or circumstances would require an immediate review. Goodwill is tested for impairment at a level of reporting referred to as a reporting unit, which generally is an operating segment or a component of an operating segment as defined by the FASB.

NiSource's goodwill assets as of March 31, 2012 were $3.7 billion pertaining primarily to the acquisition of Columbia on November 1, 2000. Of this amount, approximately $2.0 billion is allocated to Columbia Transmission Operations and $1.7 billion is allocated to Columbia Distribution Operations. In addition, Northern Indiana Gas Distribution Operations' goodwill assets at March 31, 2012 related to the purchase of Northern Indiana Fuel and Light in March 1993 and Kokomo Gas in February 1992 were $18.8 million.

The test performed at June 30, 2011 indicated that the fair value of each of the reporting units that carry or are allocated goodwill exceeded their carrying values, indicating that no impairment exists under Step 1 of the annual impairment test.

NiSource considered whether there were any events or changes in circumstances subsequent to the annual test that would reduce the fair value of any of the reporting units below their carrying amounts and necessitate another goodwill impairment test. No such indicators were noted that would require goodwill impairment testing during the first quarter.

13. Income Taxes

NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2012 and 2011, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended March 31, 2012 and 2011 were 34.7% and 34.6%, respectively. These effective tax rates differ from the Federal tax rate of 35% primarily due to the effects of tax credits, state income taxes, utility rate-making, and other permanent book-to-tax differences.

On December 27, 2011, the United States Treasury Department and the IRS issued temporary and proposed regulations effective for years beginning on or after January 1, 2012 that, among other things, provided guidance on whether expenditures qualified as deductible repairs. In addition, on March 15, 2012, the IRS issued a directive to discontinue exam activity related to positions on this issue taken on original tax returns for years beginning before January 1, 2012. NiSource expects the IRS to issue guidance for the treatment of expenditures for gas transmission and distribution assets, and generation within the next twelve months. NiSource further expects that it will be more likely to adopt the procedures provided in this guidance rather than the more general rules set forth in the temporary and proposed regulations. Accordingly, NiSource management expects to adjust unrecognized tax benefits recorded in 2009 related to its change in tax accounting for repairs for gas transmission and distribution assets and generation assets in the period specific guidance for these assets is issued. As noted above, NiSource management believes that the issuance of such guidance and intent to adopt the guidance by NiSource is reasonably possible to occur within the next twelve months. In that event, NiSource will recognize a tax benefit for this issue in the amount of $80.9 million. NiSource believes these adjustments will not have a significant effect on the income statement.

There were no material changes recorded in the first quarter of 2012 to NiSource's uncertain tax positions as of December 31, 2011.

14. Pension and Other Postretirement Benefits

NiSource provides defined contribution plans and noncontributory defined benefit retirement plans that cover its employees. Benefits under the defined benefit retirement plans reflect the employees' compensation, years of service and age at retirement. Additionally, NiSource provides health care and life insurance benefits for certain retired employees. The majority of employees may become eligible for these benefits if they reach retirement age while working for NiSource. The expected cost of such benefits is accrued during the employees' years of service. Current rates of rate-regulated companies include postretirement benefit costs, including amortization of the regulatory assets that arose prior to inclusion of these costs in rates. For most plans, cash contributions are remitted to grantor trusts.

For the three months ended March 31, 2012, NiSource has contributed $0.9 million to its pension plans and $13.1 million to its other postretirement benefit plans.

The following table provides the components of the plans' net periodic benefits cost for the three months ended March 31, 2012 and 2011:

	Pension Benefits		Other Postretirement Benefits	
Three Months Ended March 31, *(in millions)*	**2012**	2011	**2012**	2011
Components of Net Periodic Benefit Cost				
Service cost	**$ 9.4**	$ 9.4	**$ 2.8**	$ 2.5
Interest cost	**28.2**	29.9	**9.3**	9.6
Expected return on assets	**(41.1)**	(41.8)	**(6.7)**	(6.7)
Amortization of transition obligation	**-**	-	**0.3**	0.3
Amortization of prior service cost	**0.1**	0.1	**(0.1)**	(0.1)
Recognized actuarial loss	**20.3**	13.9	**2.4**	1.7
Total Net Periodic Benefit Costs	**$ 16.9**	$ 11.5	**$ 8.0**	$ 7.3

For the quarters ended March 31, 2012 and 2011, pension and other postretirement benefit cost of approximately $5.6 million and $7.1 million, respectively, was capitalized as a component of plant or recognized as a regulatory asset or liability consistent with regulatory orders for certain of NiSource's regulated businesses.

15. Variable Interests and Variable Interest Entities

In general, a VIE is an entity which (1) has an insufficient amount of at-risk equity to permit the entity to finance its activities without additional financial subordinated support provided by any parties, (2) whose at-risk equity owners, as a group, do not have power, through voting rights or similar rights, to direct activities of the entity that most significantly impact the entity's economic performance or (3) whose at-risk owners do not absorb the entity's losses or receive the entity's residual return. A VIE is required to be consolidated by a company if that company is determined to be the primary beneficiary of the VIE.

NiSource consolidates those VIEs for which it is the primary beneficiary. NiSource considers quantitative and qualitative elements in determining the primary beneficiary. Qualitative measures include the ability to control an entity and the obligation to absorb losses or the right to receive benefits.

NiSource's analysis includes an assessment of guarantees, operating leases, purchase agreements, and other contracts, as well as its investments and joint ventures. For items that have been identified as variable interests, or where there is involvement with an identified VIE, an in-depth review of the relationship between the relevant entities and NiSource is made to evaluate qualitative and quantitative factors to determine the primary beneficiary, if any, and whether additional disclosures would be required under the current standard.

At March 31, 2012, consistent with prior periods, NiSource consolidated its low income housing real estate investments from which NiSource derives certain tax benefits. As of March 31, 2012, NiSource is a 99% limited partner with a net investment of approximately $3.0 million. Consistent with prior periods, NiSource evaluated the nature and intent of the low income housing investments when determining the primary beneficiary. NiSource concluded that it continues to be the primary beneficiary. Subject to certain conditions precedent, NiSource has the contractual right to take control of the low income housing properties. At March 31, 2012, gross assets of the low income housing real estate investments in continuing operations were $28.6 million. Current and non-current assets were $0.5 million and $28.1 million, respectively. As of March 31, 2012, NiSource has long-term debt of approximately $9.7 million as a result of consolidating these investments. However, this debt is nonrecourse to NiSource and NiSource's direct and indirect subsidiaries. Approximately $0.5 million of the assets are restricted to settle obligations of the entity.

Northern Indiana has a service agreement with Pure Air, a general partnership between Air Products and Chemicals, Inc. and First Air Partners LP, under which Pure Air provides scrubber services to reduce sulfur dioxide emissions for Units 7 and 8 at the Bailly Generating Station. Services under this contract commenced on July 1, 1992, and Northern Indiana pays for the services under a combination of fixed and variable charges. The agreement provides that, assuming various performance standards are met by Pure Air, a termination payment would be due if Northern Indiana terminated the agreement prior to the end of the twenty-year contract period. NiSource has made an exhaustive effort to obtain information needed from Pure Air to determine the status of Pure Air as a VIE. However, Northern Indiana had not been able to obtain this information and as a result, it is unclear whether Pure Air is a VIE and if Northern Indiana is the primary beneficiary. Northern Indiana will continue to request the information required to determine whether Pure Air is a VIE. Northern Indiana has no exposure to loss related to the service agreement with Pure Air.

16. Long-Term Debt

On April 5, 2012, NiSource Finance negotiated a $250.0 million three-year bank term loan with a syndicate of banks which matures on April 3, 2015. Borrowings under the term loan will have an effective cost of LIBOR plus 137 basis points.

17. Short-Term Borrowings

During June 2011, NiSource Finance implemented a new commercial paper program with a program limit of up to $500.0 million with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving credit facility, which expires in March 2015. At March 31, 2012, NiSource had $496.6 million of commercial paper outstanding.

On March 3, 2011, NiSource Finance entered into a new $1.5 billion four-year revolving credit facility with a syndicate of banks led by Barclays Capital. The new facility has a termination date of March 3, 2015 and replaced an existing $1.5 billion five-year credit facility which would have expired during July 2011. The purpose of the facility is to fund ongoing working capital requirements and for general corporate purposes, including supporting liquidity for NiSource's commercial paper program, and provides for the issuance of letters of credit. At March 31, 2012, NiSource had $391.0 million of outstanding borrowings under this facility.

As of March 31, 2012 and December 31, 2011, NiSource had $37.5 million of stand-by letters of credit outstanding, of which $19.2 million were under the revolving credit facility.

Transfers of accounts receivable are accounted for as secured borrowings resulting in the recognition of short-term debt on the Condensed Consolidated Balance Sheet in the amount of $376.6 million and $231.7 million as of March 31, 2012 and December 31, 2011, respectively. Refer to Note 11, "Transfers of Financial Assets," for additional information.

(in millions)	March 31, 2012	December 31, 2011
Commercial Paper weighted average interest rate of 1.01% at March 31, 2012 and December 31, 2011	$ 496.6	$ 402.7
Credit facilities borrowings weighted average interest rate of 2.07% and 1.99% at March 31, 2012 and December 31, 2011, respectively	391.0	725.0
Accounts receivable securitization facility borrowings	376.6	231.7
Total short-term borrowings	**$ 1,264.2**	**$ 1,359.4**

Given their turnover is less than 90 days, cash flows related to the borrowings and repayments of the items listed above are presented net in the Condensed Statements of Consolidated Cash Flows (unaudited).

18. Share-Based Compensation

The stockholders approved and adopted the NiSource Inc. 2010 Omnibus Incentive Plan (the "Omnibus Plan"), at the Annual Meeting of Stockholders held on May 11, 2010. The Omnibus Plan provides for awards to employees and non-employee directors of incentive and nonqualified stock options, stock appreciation rights, restricted stock and restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards. The Omnibus Plan provides that the number of shares of common stock of NiSource available for awards is 8,000,000 plus the number of shares subject to outstanding awards granted under either the 1994 Plan or the Director Plan (described below) that expire or terminate for any reason. No further awards are permitted to be granted under the prior 1994 Plan or the Director Plan. At March 31, 2012, there were 7,513,387 shares reserved for future awards under the Omnibus Plan.

Prior to May 11, 2010, NiSource issued long-term equity incentive grants to key management employees under a long-term incentive plan approved by stockholders on April 13, 1994 ("1994 Plan"). The types of equity awards previously authorized under the 1994 Plan did not significantly differ from those permitted under the Omnibus Plan.

NiSource recognized stock-based employee compensation expense of $3.2 million and $3.0 million for the three months ended March 31, 2012 and 2011, respectively, as well as related tax benefits of $1.1 million and $1.0 million.

As of March 31, 2012, the total remaining unrecognized compensation cost related to nonvested awards amounted to $25.8 million, which will be amortized over the weighted-average remaining requisite service period of 2.3 years.

Stock Options. As of March 31, 2012, approximately 2.2 million options were outstanding and exercisable with a weighted average strike price of $22.11. No options were granted during the three months ended March 31, 2012 and 2011. As of March 31, 2012, the aggregate intrinsic value for the options outstanding and exercisable was $4.9 million. During the three months ended March 31, 2012, cash received from the exercise of options was $13.4 million. No options were exercised during the three months ended March 31, 2011.

Restricted Awards. During the three months ended March 31, 2012, NiSource granted restricted stock units and shares of restricted stock of 151,999, subject to service conditions. The total grant date fair value of the shares of restricted stock and restricted stock units was $3.3 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of any dividends not received during the vesting period, which will be expensed, net of forfeitures, over the vesting period which is generally three years. If the employee terminates employment before the service conditions lapse due to (1) Retirement or Disability (as defined in the award agreement), or (2) death, the employment conditions will lapse with respect to a pro rata portion of the shares of restricted stock and restricted stock units on the date of termination. In the event of a Change-in-Control (as defined in the award agreement), all unvested shares of restricted stock and restricted stock units will immediately vest. Termination due to any other reason will result in all shares of restricted stock and restricted stock units awarded being forfeited effective on the employee's date of termination. As of March 31, 2012, 595,593 nonvested shares (all of which are expected to vest) of restricted stock and restricted stock units were granted and outstanding.

Performance Shares. During the three months ended March 31, 2012, NiSource granted 709,193 performance shares subject to performance conditions. The grant date fair-value of the awards was $14.6 million, based on the average market price of NiSource's common stock at the date of each grant less the present value of dividends not received during the vesting period which will be expensed, net of forfeitures, over the three year requisite service period. The performance conditions are based on achievement of two non-GAAP financial measures: cumulative net operating earnings, that NiSource defines as income from continuing operations adjusted for certain items; and cumulative funds from operations that NiSource defines as net operating cash flows provided by continuing operations; and relative total shareholder return that NiSource defines as the annualized growth in the dividends and share price of a share of NiSource's common stock (calculated using a 20 trading day average of NiSource's closing price beginning December 31, 2011 and ending on December 31, 2014) compared to the total shareholder return performance of a predetermined peer group of companies. The service conditions lapse on January 30, 2015 when the shares vest provided the performance criteria are satisfied. In general, if the employee terminates employment before January 30, 2015 due to (1) Retirement or Disability (as defined in the award agreement), or (2) death, the employment conditions will lapse with respect to a pro rata portion of the performance shares payable at target on the date of termination provided the performance criteria are met. In the event of a Change-in-Control (as defined in the award agreement), all unvested performance shares will immediately vest. Termination due to any other reason will result in all performance shares awarded being forfeited effective on the employee's date of termination. As of March 31, 2012, 1,433 nonvested (all of which are expected to vest) performance shares were granted and outstanding.

Non-employee Director Awards. As of May 11, 2010, awards to non-employee directors may be made only under the Omnibus Plan. Currently, restricted stock units are granted annually to non-employee directors, subject to a non-employee director's election to defer receipt of such restricted stock unit award. The non-employee director's restricted stock units vest on the last day of the non-employee director's annual term corresponding to the year the restricted stock units were awarded subject to special pro-rata vesting rules in the event of Retirement or Disability (as defined in the award agreement), or death. The vested restricted stock units are payable as soon as practicable following vesting except as otherwise provided pursuant to the non-employee director's election to defer. As of March 31, 2012, 116,906 restricted stock units had been issued to non-employee directors under the Omnibus Plan.

Only restricted stock units remain outstanding under the prior plan for non-employee directors, the Amended and Restated Non-employee Director Stock Incentive Plan (the "Director Plan"). All such awards are fully vested and shall be distributed to the directors upon their separation from the Board. As of March 31, 2012, 241,401 restricted stock units remain outstanding under the Director Plan and as noted above no further shares may be awarded under the Director Plan.

401(k) Match, Profit Sharing and Company Contribution. NiSource has a voluntary 401(k) savings plan covering eligible employees that allows for periodic discretionary matches as a percentage of each participant's contributions in newly issued shares of common stock. NiSource also has a retirement savings plan that provides for discretionary profit sharing contributions of shares of common stock to eligible employees based on earnings results; and eligible exempt employees hired after January 1, 2010, receive a non-elective company contribution of three percent of eligible pay in shares of common stock. For the quarter ended March 31, 2012 and 2011, NiSource recognized 401(k) match, profit sharing and non-elective contribution expense of $5.8 million and $3.9 million, respectively.

19. Other Commitments and Contingencies

A. Guarantees and Indemnities. As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit. These agreements are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the subsidiaries' intended commercial purposes. The total guarantees and indemnities in existence at March 31, 2012 and the years in which they expire were:

(in millions)	Total	2012	2013	2014	2015	2016	After
Guarantees of subsidiaries debt	$ 6,120.8	$ 315.0	$ 420.3	$ 500.0	$ 230.0	$ 291.5	$ 4,364.0
Guarantees supporting commodity transactions of subsidiaries	141.9	45.5	14.5	-	80.0	-	1.9
Accounts receivable securitization	376.6	376.6	-	-	-	-	-
Lines of credit	887.6	887.6	-	-	-	-	-
Letters of credit	37.5	33.9	2.6	1.0	-	-	-
Other guarantees	273.7	10.5	224.0	32.2	3.0	-	4.0
Total commercial commitments	$ 7,838.1	$ 1,669.1	$ 661.4	$ 533.2	$ 313.0	$ 291.5	$ 4,369.9

Guarantees of Subsidiaries Debt. NiSource has guaranteed the payment of $6.1 billion of debt for various wholly-owned subsidiaries including NiSource Finance and Columbia of Massachusetts, and through a support agreement, Capital Markets, which is reflected on NiSource's Condensed Consolidated Balance Sheets (unaudited). The subsidiaries are required to comply with certain covenants under the debt indenture and in the event of default, NiSource would be obligated to pay the debt's principal and related interest. NiSource does not anticipate its subsidiaries will have any difficulty maintaining compliance. On October 3, 2011, NiSource executed a Second Supplemental Indenture to the original Columbia of Massachusetts Indenture dated April 1, 1991, for the specific purpose of guaranteeing Columbia of Massachu[illegible] outstanding medium-term notes.

Guarantees Supporting Commodity Transactions of Subsidiaries. NiSource has issued guarantees, which support up to $141.9 million of commodity-related payments for its current subsidiaries involved in energy marketing activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas services. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Condensed Consolidated Balance Sheets (unaudited).

Lines and Letters of Credit and Accounts Receivable Advances. On March 3, 2011, NiSource Finance entered into a new $1.5 billion four-year revolving credit facility with a syndicate of banks led by Barclays Capital. The new facility replaced an existing $1.5 billion five-year credit facility which would have expired during July 2011. The new facility has a termination date of March 3, 2015. The purpose of the facility is to fund ongoing working capital requirements and for general corporate purposes, including supporting liquidity for the Company's commercial paper program, and provides for the issuance of letters of credit. At March 31, 2012, NiSource had $391.0 million in borrowings under its four-year revolving credit facility, $496.6 million in commercial paper outstanding and $376.6 million outstanding under its accounts receivable securitization agreements. At March 31, 2012, NiSource issued stand-by letters of credit of approximately $37.5 million for the benefit of third parties. See Note 17, "Short-Term Borrowings," for additional information.

Other Guarantees or Obligations. On June 30, 2008, NiSource's subsidiary, PEI, sold Whiting Clean Energy to BPAE for $216.7 million which included $16.1 million in working capital. The agreement with BPAE contains representations, warranties, covenants and closing conditions. NiSource has executed purchase and sales agreement guarantees totaling $220 million which guarantee performance of PEI's covenants, agreements, obligations, liabilities, representations and warranties under the agreement with BPAE. No amounts related to the purchase and sales agreement guarantees are reflected in the Condensed Consolidated Balance Sheet (unaudited) as of March 31, 2012. These guarantees are due to expire in June 2013.

NiSource has additional purchase and sales agreement guarantees totaling $30.0 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the Condensed Consolidated Balance Sheets (unaudited). Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

In connection with Millennium's refinancing of its long-term debt in August 2010, NiSource provided a letter of credit to Union Bank N.A., as Collateral Agent for deposit into a debt service reserve account as required under the Deposit and Disbursement Agreement governing the Millennium notes offering. This account is to be drawn upon by the note holders in the event that Millennium is delinquent on its principal and interest payments. The value of NiSource's letter of credit represents 47.5% (NiSource's ownership percentage in Millennium) of the Debt Service Reserve Account requirement, or $16.2 million. The total exposure for NiSource is $16.2 million. NiSource has an accrued liability of $1.5 million related to the inception date fair value of this guarantee as of March 31, 2012.

NiSource has issued other guarantees supporting derivative related payments associated with interest rate swap agreements issued by NiSource Finance, operating leases for many of its subsidiaries and for other agreements entered into by its current and former subsidiaries.

B. **Other Legal Proceedings.** In the normal course of its business, NiSource and its subsidiaries have been named as defendants in various legal proceedings. In the opinion of management, the ultimate disposition of these currently asserted claims will not have a material impact on NiSource's consolidated financial statements.

C. Environmental Matters.

NiSource operations are subject to environmental statutes and regulations related to air quality, water quality, hazardous waste and solid waste. NiSource believes that it is in substantial compliance with those environmental regulations currently applicable to its operations and believes that it has all necessary permits to conduct its operations.

Management's continued intent to address environmental issues in cooperation with regulatory authorities in such a manner as to achieve mutually acceptable compliance plans. However, there can be no assurance that fines and penalties will not be incurred. Management expects a significant portion of environmental assessment and remediation costs to be recoverable through rates for certain NiSource companies.

As of March 31, 2012 and December 31, 2011, NiSource had recorded reserves of approximately $168.8 million and $173.5 million, respectively, to cover environmental remediation at various sites. The current portion of this reserve is included in Legal and Environmental Reserves in the Condensed Consolidated Balance Sheet. The noncurrent portion is included in Other Noncurrent Liabilities in the Condensed Consolidated Balance Sheet. NiSource accrues for costs associated with environmental remediation obligations when the incurrence of such costs is probable and the amounts can be reasonably estimated. The original estimates for cleanup can differ materially from the amount ultimately expended. The actual future expenditures depend on many factors, including currently enacted laws and regulations, the nature and extent of contamination, the method of cleanup, and the availability of cost recovery from customers. These expenditures are not currently estimable at some sites. NiSource periodically adjusts its reserves as information is collected and estimates become more refined.

Air

The actions listed below could require further reductions in emissions from various emission sources. NiSource will continue to closely monitor developments in these matters.

Climate Change. Future legislative and regulatory programs could significantly restrict emissions of GHGs or could impose a cost or tax on GHG emissions. Recently, proposals have been developed to implement Federal, state and regional GHG programs and to create renewable energy standards.

In 2009 and 2010, the United States Congress considered a number of legislative proposals to regulate GHG emissions. The United States House of Representatives passed a comprehensive climate change bill in June 2009 that would have created a GHG-cap-and trade system and implemented renewable energy standards. Bills on the same topics were introduced in the Senate in 2009 and 2010, but failed to garner enough support to pass. If a Federal or state comprehensive climate change bill were to be enacted into law, the impact on NiSource's financial performance would depend on a number of factors, including the overall level of required GHG reductions, the renewable energy targets, the degree to which offsets may be used for compliance, the amount of recovery allowed from customers, and the extent to which NiSource would be entitled to receive CO_2 allowances at no cost. Comprehensive Federal or state GHG regulation could result in additional expense or compliance costs that may not be fully recoverable from customers and could materially impact NiSource's financial results.

National Ambient Air Quality Standards. The CAA requires EPA to set national air quality standards for particulate matter and five other pollutants (the NAAQS) considered harmful to public health and the environment. Periodically EPA imposes new or modifies existing NAAQS. States that contain areas that do not meet the new or revised standards must take steps to maintain or achieve compliance with the standards. These steps could include additional pollution controls on boilers, engines, turbines, and other facilities owned by electric generation, gas distribution, and gas transmission operations.

The following NAAQS were recently added or modified:

Particulate Matter: In 2006, the EPA issued revisions to the NAAQS for particulate matter. The final rule (1) increased the stringency of the current fine particulate (PM2.5) standard, (2) added a new standard for inhalable coarse particulate (particulate matter between 10 and 2.5 microns in diameter), and (3) revoked the annual standards for coarse particulate (PM10) while retaining the 24-hour PM10 standards. These actions were challenged in a case before the DC Court of Appeals, *American Farm Bureau Federation et al. v. EPA.* In 2009, the appeals court granted portions of the plaintiffs' petitions challenging the fine particulate standards but denied portions of the petitions challenging the standards for coarse particulate. State plans implementing the new standard for inhalable coarse particulate and the modified 24-hour standard for fine particulate are expected in 2012. The annual and secondary PM2.5 standards have been remanded to the EPA for reconsideration. Northern Indiana will continue to monitor this matter and cannot estimate the impact of any new rules at this time.

Ozone (eight hour): On September 2, 2011, the EPA announced it would implement its 2008 eight-hour ozone NAAQS rather than tightening the standard in 2012. The EPA will review, and possibly revise, the standard in 2013 consistent with CAA requirements. In addition, the EPA has proposed to re-designate the Chicago metropolitan area, including the areas in which Northern Indiana operates three of its electric generation facilities, as non-attainment for ozone. Northern Indiana will continue to monitor this matter and cannot estimate the impact of any new rules at this time.

Nitrogen Dioxide (NO2): The EPA revised the NO2 NAAQS by adding a one-hour standard while retaining the annual standard. The new standard could impact some NiSource combustion sources. EPA will designate areas that do not meet the new standard beginning in 2012. States with areas that do not meet the standard will need to develop rules to bring areas into compliance within five years of designation. Additionally, under certain permitting circumstances emissions from some existing NiSource combustion sources may need to be assessed and compared to the revised NO2 standards before areas are designated. Petitions challenging the rule have been filed by various parties. NiSource will continue to monitor this matter and cannot estimate the impact of these rules at this time.

National Emission Standard for Hazardous Air Pollutants. On August 20, 2010, the EPA revised national emission standards for hazardous air pollutants for certain stationary reciprocating internal combustion engines. Compliance requirements vary by engine type and will generally be required within three years. NiSource is continuing its evaluation of the cost impacts of the final rule and estimates the cost of compliance to be $20 - $25 million.

Waste

NiSource subsidiaries are potentially responsible parties at waste disposal sites under the CERCLA (commonly known as Superfund) and similar state laws. Additionally, a program has been instituted to identify and investigate former MGP sites where Gas Distribution Operations subsidiaries or predecessors may have liability. The program has identified 67 such sites where liability is probable. Remedial actions at many of these sites are being overseen by state or federal environmental agencies through consent agreements or voluntary remediation agreements.

During the fourth quarter of 2011, NiSource completed a probabilistic model to estimate its future remediation costs related to its MGP sites. The model was prepared by a third party and incorporates NiSource and general industry experience with remediating MGP sites. NiSource accordingly increased its liability for estimated remediation costs by $71.1 million. The total liability at NiSource related to the facilities subject to remediation was $137.6 million and $139.5 million at March 31, 2012 and December 31, 2011, respectively. The liability represents NiSource's best estimate of the probable cost to remediate the facilities. NiSource believes that it is reasonably possible that remediation costs could vary by as much as $25 million in addition to the costs noted above. Remediation costs are estimated based on the best available information, applicable remediation standards at the balance sheet date, and experience with similar facilities.

Additional Issues Related to Individual Business Segments

The sections above describe various regulatory actions that affect Gas Transmission and Storage Operations, Electric Operations, and certain other discontinued operations for which NiSource has retained a liability. Specific information is provided below.

Gas Transmission and Storage Operations.

Waste

Columbia Transmission continues to conduct characterization and remediation activities at specific sites under a 1995 AOC (subsequently modified in 1996 and 2007). The 1995 AOC originally covered 245 major facilities, approximately 13,000 liquid removal points, approximately 2,200 mercury measurement stations and about 3,700 storage well locations. As a result of the 2007 amendment, approximately facilities remain subject to the terms of the AOC. During the third quarter of 2011, Columbia Transmission completed a study to estimate its remediation requirements related to the AOC. Columbia Transmission accordingly increased its liability for estimated remediation costs by $25.6 million. The total liability at Columbia Transmission related to the facilities subject to remediation was $27.7 million and $30.0 million at March 31, 2012 and December 31, 2011, respectively. The liability represents Columbia Transmission's best estimate of the cost to remediate the facilities or manage the site until retirement. A Response Action Work Plan consistent with this estimate was submitted to the EPA in the fourth quarter of 2011 and subsequently approved. Remediation costs are estimated based on the information available, applicable remediation standards, and experience with similar facilities. Columbia Transmission expects that the remediation for these facilities will be completed in 2015.

One of the facilities subject to the 1995 AOC is the Majorsville Operations Center, which was remediated under an EPA approved Remedial Action Work Plan in summer 2008. Pursuant to the Remedial Action Work Plan, Columbia Transmission completed a project that stabilized residual oil contained in soils at the site and in sediments in an adjacent stream. Columbia Transmission continues to monitor the site subject to EPA oversight. On April 23, 2009, PADEP issued an NOV to Columbia Transmission, alleging that the remediation did not fully address the contamination. The NOV asserts violations of the Pennsylvania Clean Streams Law and the Pennsylvania Solid Waste Management Act and includes a proposed penalty of $1 million. Columbia Transmission is unable to estimate the likelihood or cost of potential penalties or additional remediation at this time.

Electric Operations.

Air

Northern Indiana expects to become subject to a number of new air-quality mandates in the next several years. These mandates may require Northern Indiana to make capital improvements to its electric generating stations. The cost of capital improvements is estimated to be $620 million to $1.1 billion. This figure includes additional capital improvements associated with the New Source Review Consent Decree, CSAPR and the Utility Mercury and Air Toxics Standards Rule. Northern Indiana believes that the capital costs will likely be recoverable from ratepayers.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Sulfur dioxide: On December 8, 2009, the EPA revised the SO_2 NAAQS by adopting a new 1-hour primary NAAQS for SO_2. EPA expects to designate areas that do not meet the new standard by mid-2012. States with such areas would have until 2014 to develop attainment plans with compliance required by 2017. Northern Indiana will continue to monitor developments in these matters but does not anticipate a material impact.

Cross-State Air Pollution Rule / Clean Air Interstate Rule (CAIR) / Transport Rule: On July 6, 2011, the EPA announced its replacement for the 2005 CAIR to reduce the interstate transport of fine particulate matter and ozone. The CSAPR reduces overall emissions of SO_2 and NO_x by setting state-wide caps on power plant emissions. The CSAPR limits emissions, including Northern Indiana's, with restricted emission allowance trading programs scheduled to begin in 2012. In a decision issued on December 30, 2011, the D.C. Circuit Court stayed the CSAPR and reinstated the CAIR trading program provisions and requirements, including reissuing CAIR emission allowances, pending resolution of the stay. This development does not significantly impact Northern Indiana's current emissions control plans. Northern Indiana utilizes the inventory model in accounting for emission allowances issued under the CAIR program whereby these allowances were recognized at zero cost upon receipt from the EPA. Northern Indiana believes its current multi-pollutant compliance plan and New Source Review Consent Decree capital investments will allow Northern Indiana to meet the emission requirements of CSAPR whenever final resolution of the appeal is reached.

Utility Mercury and Air Toxics Standards Rule: On February 8, 2008, the United States Court of Appeals for the District of Columbia Circuit vacated two EPA rules that are the basis for the Indiana Air Pollution Control Board's Clean Air Mercury Rule (CAMR) that established utility mercury emission limits in two phases (2010 and 2018) and a cap-and-trade program to meet those limits. In response to the vacatur, the EPA pursued a new Section 112 rulemaking to establish MACT standards for electric utilities. The EPA finalized the Mercury and Air Toxics Standards (MATS) Rule on December 16, 2011. Compliance for Northern Indiana's affected units will be required in early 2015, with the possibility of a one year extension. Northern Indiana is currently developing a plan for further environmental controls to comply with MATS.

New Source Review: On September 29, 2004, the EPA issued an NOV to Northern Indiana for alleged violations of the CAA and the Indiana SIP. The NOV alleges that modifications were made to certain boiler units at three of Northern Indiana's generating stations between the [redacted] 1985 and 1995 without obtaining appropriate air permits for the modifications. Northern Indiana, EPA, the Department of Justice, and [redacted] have settled the matter through a consent decree.

Water
The Phase II Rule of the Clean Water Act Section 316(b), which requires all large existing steam electric generating stations to meet certain performance standards to reduce the effects on aquatic organisms at their cooling water intake structures, became effective on September 7, 2004. Under this rule, stations will either have to demonstrate that the performance of their existing fish protection systems meet the new standards or develop new systems, such as a closed-cycle cooling tower. Various court challenges and EPA responses ensued. The EPA announced a proposed rule and is obligated to finalize a rule in 2012. Northern Indiana will continue to monitor this matter but cannot estimate the cost of compliance at this time.

Waste
On March 31, 2005, the EPA and Northern Indiana entered into an AOC under the authority of Section 3008(h) of the RCRA for the Bailly Station. The order requires Northern Indiana to identify the nature and extent of releases of hazardous waste and hazardous constituents from the facility. Northern Indiana must also remediate any release of hazardous constituents that present an unacceptable risk to human health or the environment. The process to complete investigation and select appropriate remediation activities is ongoing.

On June 21, 2010, EPA published a proposed rule for CCRs through the RCRA. The proposal outlines multiple regulatory approaches that EPA is considering. These proposed regulations could negatively affect Northern Indiana's ongoing byproduct reuse programs and would impose additional requirements on its management of coal combustion residuals. Northern Indiana will continue to monitor developments in this matter and cannot estimate the cost of compliance at this time.

M 1. FINANCIAL STATEMENTS (continued)

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Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

Other Operations.

Waste
NiSource affiliates have retained environmental liabilities, including cleanup liabilities associated with some of its former operations. Four sites are associated with its former propane operations and ten sites associated with former petroleum operations. At one of those sites, an AOC has been signed with EPA to address petroleum residue in soil and groundwater.

20. Accumulated Other Comprehensive Loss

The following table displays the components of Accumulated Other Comprehensive Loss.

(in millions)	March 31, 2012	December 31, 2011
Other comprehensive income (loss), before tax:		
Unrealized gains on securities	$ 3.2	$ 8.0
Tax expense on unrealized gains on securities	(1.1)	(3.1)
Unrealized losses on cash flow hedges	(50.7)	(52.3)
Tax benefit on unrealized losses on cash flow hedges	19.9	20.5
Unrecognized pension and OPEB costs	(51.9)	(53.0)
Tax benefit on unrecognized pension and OPEB costs	19.7	20.2
Total Accumulated Other Comprehensive Loss, net of taxes	**$ (60.9)**	$ (59.7)

Equity Investment
As an equity method investment, NiSource is required to recognize a proportional share of Millennium's OCI. The remaining unrealized loss at March 31, 2012 of $19.4 million, net of tax, related to terminated interest rate swaps is being amortized over the period ending June 2025 into earnings using the effective interest method through interest expense as interest payments are made by Millennium. The unrealized loss of $19.4 million and $19.7 million at March 31, 2012 and December 31, 2011, respectively, is included in unrealized losses on cash flow hedges above.

21. Business Segment Information

Operating segments are components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. The NiSource Chief Executive Officer is the chief operating decision maker.

At March 31, 2012, NiSource's operations are divided into three primary business segments. The Gas Distribution Operations segment provides natural gas service and transportation for residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky, Maryland, Indiana and Massachusetts. The Gas Transmission and Storage Operations segment offers gas transportation and storage services for LDCs, marketers and industrial and commercial customers located in northeastern, mid-Atlantic, midwestern and southern states. The Electric Operations segment provides electric service in 20 counties in the northern part of Indiana.

ITEM 1. FINANCIAL STATEMENTS (continued)

NISOURCE INC.
Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

The following table provides information about business segments. NiSource uses operating income as its primary measurement for each of the reported segments and makes decisions on finance, dividends and taxes at the corporate level on a consolidated basis. Segment revenues include intersegment sales to affiliated subsidiaries, which are eliminated in consolidation. Affiliated sales are recognized on the basis of prevailing market, regulated prices or at levels provided for under contractual agreements. Operating income is derived from revenues and expenses directly associated with each segment.

Three Months Ended March 31, *(in millions)*	2012	2011
REVENUES		
Gas Distribution Operations		
Unaffiliated	$ 1,069.1	$ 1,584.8
Intersegment	0.2	0.7
Total	1,069.3	1,585.5
Gas Transmission and Storage Operations		
Unaffiliated	233.0	213.4
Intersegment	42.4	42.0
Total	275.4	255.4
Electric Operations		
Unaffiliated	354.4	348.2
Intersegment	0.2	0.2
Total	354.6	348.4
Corporate and Other		
Unaffiliated *	2.2	85.2
Intersegment	110.7	110.5
Total	112.9	11
Eliminations	(153.5)	(153.
Consolidated Revenues	$ 1,658.7	$ 2,231.6

Operating Income		
Gas Distribution Operations	$ 212.0	$ 241.5
Gas Transmission and Storage Operations	138.6	118.4
Electric Operations	46.2	50.6
Corporate and Other	2.6	(4.1)
Consolidated Operating Income	$ 399.4	$ 406.4

* The reduction to other revenues is attributed to the continued wind down of the unregulated natural gas marketing business as well as the early termination of certain contracts as discussed in Note 9, "Risk Management Activities." There was a corresponding decrease in cost of sales with no impact to operating income.

Notes to Condensed Consolidated Financial Statements (unaudited) (continued)

22. Supplemental Cash Flow Information

The following table provides additional information regarding NiSource's Condensed Statements of Consolidated Cash Flows (unaudited) for the three months ended March 31, 2012 and 2011:

Three Months Ended March 31, *(in millions)*	2012	2011
Supplemental Disclosures of Cash Flow Information:		
Non-cash transactions:		
Capital expenditures included in current liabilities	$ 71.0	$ 58.7
Stock issuance to employee saving plans	5.7	9.6
Schedule of interest and income taxes paid:		
Cash paid for interest, net of interest capitalized amounts	$ 142.7	$ 140.9
Cash paid for income taxes	1.7	0.7

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

NISOURCE INC.

Note regarding forward-looking statements

The Management's Discussion and Analysis, including statements regarding market risk sensitive instruments, contains "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Investors and prospective investors should understand that many factors govern whether any forward-looking statement contained herein will be or can be realized. Any one of those factors could cause actual results to differ materially from those projected. These forward-looking statements include, but are not limited to, statements concerning NiSource's plans, objectives, expected performance, expenditures and recovery of expenditures through rates, stated on either a consolidated or segment basis, and any and all underlying assumptions and other statements that are other than statements of historical fact. From time to time, NiSource may publish or otherwise make available forward-looking statements of this nature. All such subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NiSource, are also expressly qualified by these cautionary statements. All forward-looking statements are based on assumptions that management believes to be reasonable; however, there can be no assurance that actual results will not differ materially.

Realization of NiSource's objectives and expected performance is subject to a wide range of risks and can be adversely affected by, among other things, weather, fluctuations in supply and demand for energy commodities, growth opportunities for NiSource's businesses, increased competition in deregulated energy markets, the success of regulatory and commercial initiatives, dealings with third parties over whom NiSource has no control, actual operating experience of NiSource's assets, the regulatory process, regulatory and legislative changes, the impact of potential new environmental laws or regulations, the results of material litigation, changes in pension funding requirements, changes in general economic, capital and commodity market conditions, counterparty credit risk, and the matters set forth in the "Risk Factors" section of NiSource's 2011 Form 10-K, which many of are beyond the control of NiSource. In addition, the relative contributions to profitability by each segment, and the assumptions underlying the forward-looking statements relating thereto, may change over time. NiSource expressly disclaims a duty to update any of the forward-looking statements contained in this report.

The following Management's Discussion and Analysis should be read in conjunction with NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

CONSOLIDATED REVIEW

Executive Summary

NiSource (the "Company") is an energy holding company under the Public Utility Holding Company Act of 2005 whose subsidiaries are engaged in the transmission, storage and distribution of natural gas in the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England and the generation, transmission and distribution of electricity in Indiana. NiSource generates virtually 100% of its operating income through these rate-regulated businesses. A significant portion of NiSource's operations are subject to seasonal fluctuations in sales. During the heating season, which is primarily from November through March, net revenues from gas sales are more significant, and during the cooling season, which is primarily from June through September, net revenues from electric sales and transportation services are more significant than in other months.

For the three months ended March 31, 2012, NiSource reported income from continuing operations of $193.5 million, or $0.68 per basic share, compared to $209.1 million, or $0.75 per basic share reported for the same period in 2011.

The decrease in income from continuing operations was due primarily to the following items:

— Warmer weather in the current quarter resulted in a decrease in income from continuing operations of $45.7 million compared to the prior year. Weather statistics are provided in the Gas Distribution Operations' segment discussion.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

NISOURCE INC.

— NiSource incurred higher interest expense of $13.5 million resulting from the issuance of long-term debt of $400.0 million in June 2011 and $500.0 million in November 2011, the expiration of the Sugar Creek deferral, as well as higher average short-term borrowings and rates. These increases were partially offset by the repurchase of $125.3 million of the 2016 and $124.7 million of the 2013 notes in November 2011.

— Depreciation and amortization increased $11.8 million due primarily to higher capital spend and the additional depreciation related to the Sugar Creek facility due to the expiration of the deferral as a result of the electric rate case. NiSource's capital spend is projected to be approximately $1.4 billion in 2012.

These decreases were partially offset by the following:

— Electric Operations' net revenues increased $22.2 million primarily due to the implementation of the electric rate case. Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for more information.

— Regulatory and service programs at Gas Distributions Operations increased net revenues by $11.5 million primarily due to the rate case at Columbia of Pennsylvania and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program. Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for more information.

— Higher demand margin revenues at Gas Transmission and Storage Operations increased net revenues by $8.6 million primarily due to growth projects placed into service since the first quarter of 2011. Refer below and to the Gas Transmission and Storage Operations segment discussion for a list of growth projects in progress. Additionally, the implementation of the rate case at Columbia Gulf increased net revenues by $7.2 million.

These factors and other impacts to the financial results are discussed in more detail within the following discussions of "Results of Operations" and "Results and Discussion of Segment Operations."

Platform for Growth

NiSource's business plan will continue to center on commercial and regulatory initiatives; commercial growth and expansion of the gas transmission and storage business; financial management of the balance sheet; and cost and process excellence.

Commercial and Regulatory Initiatives

NiSource is moving forward on regulatory initiatives across several distribution company markets. Whether through full rate case filings or other approaches, NiSource's goal is to develop strategies that benefit all stakeholders as it addresses changing customer conservation patterns, develops more contemporary pricing structures, and embarks on long-term investment programs to enhance its infrastructure.

Northern Indiana continues to advance initiatives designed to improve customer services and reliability, as well as enhance the region's environmental and economic sustainability.

— Significant environmental investments at Northern Indiana's coal-fired electric generation facilities remain on track, including construction of FGD equipment on two units at the Company's Schahfer generating station. The improvements are part of a nearly $850 million environmental investment program over the next six to eight years.

— On April 5, 2012, Northern Indiana introduced its IN-Charge Electric Vehicle Program. The pilot program provides a credit for residential electric customers to offset the cost of installing a home-based electric vehicle charging system. The program also offers customers free overnight charging for their vehicles at home.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

NiSource Gas Distribution companies continue to deliver strong results from their strategy of aligning long-term infrastructure replacement and enhancement programs with a variety of complementary customer programs and rate- design initiatives.

- Infrastructure projects across much of the gas distribution territory, combined with customer programs and regulatory treatment, continue to generate earnings growth. These initiatives, part of a $4 billion plus long-term investment program, along with the new rates in effect contributed to an increase of $11.5 million in net revenues compared to the same period in the prior year.

- On April 13, 2012, Columbia of Massachusetts submitted a filing with the Massachusetts DPU requesting an annual revenue requirement increase of $29.2 million. Columbia of Massachusetts filed using a historic test year ending December 31, 2011. Additionally, Columbia of Massachusetts proposed a rate-year, rate base treatment, as well as modification to the Targeted Infrastructure Reinvestment Factor. The rate year rate base treatment has been proposed to reduce the impact of regulatory lag. An order is expected later this year with new rates going into effect on November 1, 2012.

- At Columbia of Pennsylvania, the state's General Assembly passed HB1294 on February 7, 2012, and was approved as "Act 11" by the Governor on February 14, 2012. The law supports the company's infrastructure modernization initiatives by authorizing the Pennsylvania PUC to approve a distribution system improvement charge. In addition, it allows Pennsylvania utilities to base their rates on a forecasted test year, which will allow recovery of infrastructure investments as they are made. A similar law was passed in Ohio in 2011.

Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for a complete discussion of regulatory and commercial matters.

Commercial Growth and Expansion of the Gas Transmission and Storage Business

NiSource Gas Transmission & Storage Operations continues to develop and execute investment opportunities in emerging and existing markets. The company is active in midstream, mineral leasing and traditional pipeline projects, particularly in areas encompassed by Company's strategic footprint in the Utica and Marcellus shale production areas.

- Work is progressing on NiSource Midstream's Big Pine Gathering System. Anchored by a long-term agreement with XTO Energy Inc., the 70-mile, $150-million project is located in the hydrocarbon-rich area of western Pennsylvania. It will offer an initial capacity of approximately 425,000 Dth per day with interconnections to multiple interstate pipeline markets. The project's targeted in-service date is December 2012.

- NiSource Midstream also is pursuing opportunities in the liquids-rich fairway of the Utica play in eastern Ohio, including proposals to provide gathering services, as well as cryogenic natural gas liquids processing. In addition, NiSource Midstream is in advanced discussions with a producer counterparty regarding a potential joint venture that would optimize NiSource Midstream's minerals position in this area, which could include downstream infrastructure investment opportunities.

- NiSource Gas Transmission and Storage Operations is successfully pursuing growth opportunities within its existing pipeline system. For example, it recently completed open seasons on two supply- and market-driven expansions of its Columbia Transmission and Columbia Gulf systems. The approximately $220 million West Side Expansion Project will transport approximately 500,000 Dth per day of Marcellus production originating in southwest Pennsylvania and north-central West Virginia to Gulf Coast markets. Binding long-term precedent agreements have been signed with two shippers. The East Side Expansion Project would connect up to 500,000 Dth per day of northern Pennsylvania Marcellus production with growing mid-Atlantic markets. Discussions with customers for binding transportation agreements are currently underway.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

NISOURCE INC.

— Columbia Transmission received approval from the FERC to construct facilities to serve Virginia Electric and Power Company's 1,329-megawatt, gas-fired generation facility under construction in Warren County, Va. The approximately $35 million project will provide up to nearly 250,000 Dth per day of long-term, firm transportation starting in mid-2014.

— During the first quarter 2012, Columbia Transmission continued discussions with customers regarding a long-term infrastructure modernization program. Similar to the modernization programs in place at NiSource's gas utilities, this effort would enhance the reliability and flexibility of the Company's core pipeline system, ensuring continued safe and reliable service while positioning the Company to meet anticipated regulatory requirements. The plan could involve an investment of about $4 billion over a 10- to 15-year period.

Financial Management of the Balance Sheet

At the end of the first quarter, NiSource maintained approximately $632 million in net available liquidity. Additionally, during the first quarter of 2012, Standard & Poor's reaffirmed NiSource's stable credit rating.

On April 5, 2012, NiSource Finance negotiated a $250.0 million three-year bank term loan with a syndicate of banks which matures on April 3, 2015. Borrowings under the term loan will have an effective cost of LIBOR plus 137 basis points.

Ethics and Controls

NiSource has had a long-term commitment to providing accurate and complete financial reporting as well as high standards for ethical behavior by its employees. NiSource's senior management takes an active role in the development of this Form 10-Q and the monitoring of the company's internal control structure and performance. In addition, NiSource will continue its mandatory ethics training program for all employees.

Refer to "Controls and Procedures" included in Item 4.

Results of Operations
Quarter Ended March 31, 2012

Net Income

NiSource reported net income of $193.4 million, or $0.68 per basic share, for the three months ended March 31, 2012, compared to a net income of $209.5 million, or $0.75 per basic share, for the first quarter of 2011. Income from continuing operations was $193.5 million, or $0.68 per basic share, for the three months ended March 31, 2012, compared to income from continuing operations of $209.1 million, or $0.75 per basic share, for the first quarter of 2011. Operating income was $399.4 million, a decrease of $7.0 million from the same period in 2011. All per share amounts are basic earnings per share. Basic average shares of common stock outstanding at March 31, 2012 were 282.9 million compared to 279.3 million at March 31, 2011.

Comparability of line item operating results between quarterly periods is impacted by regulatory and tax trackers that allow for the recovery in rates of certain costs such as bad debt expenses. Therefore, increases in these tracked operating expenses are offset by increases in net revenues and have essentially no impact on income from continuing operations.

Immaterial Restatement

As indicated in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, NiSource made correcting adjustments to its historical financial statements including for the first quarter of 2011 relating to deferred revenue, environmental asset recovery and OPEB over-reimbursement. NiSource does not believe that these corrections, individually or in the aggregate, are material to its financial statements (unaudited) for the quarterly period ended March 31, 2011. For additional information on these corrections, see Note 1, Nature of Operations and Summary of Significant Accounting Policies, and Note 26, Quarterly Financial Data (Unaudited), of the Consolidated Financial Statements of NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

The following table sets forth the effects of the correcting adjustments to Net Income for the three months ended March 31, 2011:

Increase/(Decrease) in Net Income *(in millions)*	Three Months Ended March 31, 2011
Previously reported Net Income	$ 205.2
Deferred revenue	(0.6)
Environmental asset recovery	8.0
OPEB over-reimbursement	(0.2)
Total corrections	7.2
Income taxes	2.9
Corrected Net Income	$ 209.5

The following table sets forth the effects of the correcting adjustments on affected line items within the Condensed Statement of Consolidated Income (unaudited) for the three months ended March 31, 2011:

Condensed Statements of Consolidated Income (unaudited)	Three Months ended March 31, 2011	
(in millions, except per share amounts)	As Previously Reported	As Corrected
Net Revenues		
Electric	$ 347.1	$ 34
Gross Revenues	2,232.2	2,231.6
Total Net Revenues	1,061.3	1,060.7
Operation and maintenance	432.5	429.3
Depreciation and amortization	138.9	134.3
Total Operating Expenses	665.1	657.3
Operating Income	399.2	406.4
Income from Continuing Operations before Income Taxes	312.7	319.9
Income Taxes	107.9	110.8
Income from Continuing Operations	204.8	209.1
Net Income	$ 205.2	$ 209.5
Basic Earnings Per Share ($)		
Continuing operations	$ 0.73	$ 0.75
Basic Earnings Per Share	$ 0.73	$ 0.75
Diluted Earnings Per Share ($)		
Continuing operations	$ 0.72	$ 0.73
Diluted Earnings Per Share	$ 0.72	$ 0.73

These corrections affected certain line items within net cash flows from operating activities on the Condensed Statement of Consolidated Cash Flows (unaudited) for the three months ended March 31, 2011, with no net effect on total net cash flows from operating activities.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

NISOURCE INC.

Net Revenues

Total consolidated net revenues (gross revenues less cost of sales) for the quarter ended March 31, 2012, were $1,028.4 million, a $32.3 million decrease from the same period last year. This decrease in net revenues was primarily due to decreased Gas Distribution Operations' net revenues of $73.9 million partially offset by increased Electric Operations' net revenues of $22.2 million and increased Gas Transmission and Storage Operations' net revenues of $19.1 million.

— Gas Distribution Operations' net revenues decreased due primarily to lower regulatory and tax trackers, which are offset in expense, of $46.4 million and the effects of warmer weather of $39.0 million. These decreases in net revenues were partially offset by an increase of $11.5 million for regulatory and service programs, including impacts from the rate case at Columbia of Pennsylvania and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program.

— Electric Operations' net revenues increased primarily due to increased industrial, commercial and residential margins of $20.6 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $13.9 million in the current period as the electric rate case discontinued these credits and an increase in RTO tracker revenues of $4.4 million. These increases were partially offset by a decrease in environmental cost recovery of $11.0 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case and a decrease of $6.7 million due to the impact of weather.

— Gas Transmission and Storage Operations' net revenues increased primarily due to higher demand margin revenue of $8.6 million as a result of growth projects placed into service since the first quarter of 2011. Additionally, there was an increase of $7.2 million due to the impact of the rate case at Columbia Gulf and higher regulatory trackers of $2.6 million, which are offset in expense.

Expenses

Operating expenses for the first quarter 2012 were $636.7 million, a decrease of $20.6 million from the 2011 period. This decrease was primarily due to lower operation and maintenance expenses of $23.9 million and a decrease in other taxes of $6.2 million partially offset by an increase in depreciation and amortization of $11.8 million. The decrease in operation and maintenance expenses is due to a decrease in regulatory trackers, which are offset in revenue, of $33.7 million, a mark-to-market adjustment of corporate owned life insurance assets of $7.9 million, and a decrease in outside service costs of $3.8 million. This was partially offset by higher electric generation costs of $6.8 million and an increase in MISO fees resulting from the electric rate case. Other taxes decreased primarily as a result of lower tax trackers, which are offset in revenue. Depreciation and amortization increased due primarily to higher capital expenditures and the additional depreciation related to the Sugar Creek facility due to the expiration of the deferral as a result of the electric rate case.

Equity Earnings in Unconsolidated Affiliates

Equity Earnings in Unconsolidated Affiliates were $7.7 million during the first quarter of 2012 compared to $3.0 million for the first quarter of 2011. Equity Earnings in Unconsolidated Affiliates includes investments in Millennium and Hardy Storage which are integral to the Gas Transmission and Storage Operations' business. Equity earnings increased as a result of an increase in earnings at Millennium.

Other Income (Deductions)

Other Income (Deductions) reduced income by $103.0 million in 2012 compared to a reduction in income of $86.5 million in the prior year. The increase in deductions is primarily due to an increase in interest expense of $13.5 million resulting from the issuance of long-term debt of $400.0 million in June 2011 and $500.0 million in November 2011, the expiration of the Sugar Creek deferral, as well as higher average short-term borrowings and rates. This was partially offset by a decrease in interest expense due to the repurchase of $125.3 million of the 2016 and $124.7 million 2013 notes in November 2011. Other-net income of $0.3 million was recorded in 2012 compared to $3.3 million in 2011.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

Income Taxes

Income tax expense for the first quarter of 2012 was $102.9 million compared to $110.8 million in the prior year. NiSource's interim effective tax rates reflect the estimated annual effective tax rates for 2012 and 2011, adjusted for tax expense associated with certain discrete items. The effective tax rates for the three months ended March 31, 2012 and 2011 were 34.7% and 34.6%, respectively. These effective tax rates differ from the Federal tax rate of 35% primarily due to the effects of tax credits, state income taxes, utility rate-making, and other permanent book-to-tax differences.

On December 27, 2011, the United States Treasury Department and the IRS issued temporary and proposed regulations effective for years beginning on or after January 1, 2012 that, among other things, provided guidance on whether expenditures qualified as deductible repairs. In addition, on March 15, 2012, the IRS issued a directive to discontinue exam activity related to positions on this issue taken on original tax returns for years beginning before January 1, 2012. NiSource expects the IRS to issue guidance for the treatment of expenditures for gas transmission and distribution assets, and generation within the next twelve months. NiSource further expects that it will be more likely to adopt the procedures provided in this guidance rather than the more general rules set forth in the temporary and proposed regulations. Accordingly, NiSource management expects to adjust unrecognized tax benefits recorded in 2009 related to its change in tax accounting for repairs for gas transmission and distribution assets and generation assets in the period specific guidance for these assets is issued. As noted above, NiSource management believes that the issuance of such guidance and intent to adopt the guidance by NiSource is reasonably possible to occur within the next twelve months. In that event, NiSource will recognize a tax benefit for this issue in the amount of $80.9 million. NiSource believes these adjustments will not have a significant effect on the income statement.

Refer to Note 13, "Income Taxes," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for more detail about income taxes.

Discontinued Operations

There was a net loss of $0.1 million in the first quarter of 2012 from discontinued operations compared to net income of $0.4 million in the first quarter of 2011.

Liquidity and Capital Resources

A significant portion of NiSource's operations, most notably in the gas distribution, gas transportation and storage and electric distribution businesses, are subject to seasonal fluctuations in cash flow. During the heating season, which is primarily from November through March, cash receipts from gas sales and transportation services typically exceed cash requirements. During the summer months, cash on hand, together with the seasonal increase in cash flows from the electric business during the summer cooling season and external short-term and long-term financing, is used to purchase gas to place in storage for heating season deliveries and perform necessary maintenance of facilities. NiSource believes that through income generated from operating activities, amounts available under its revolving credit facility, commercial paper program, long-term debt agreements and NiSource's ability to access the capital markets, there is adequate capital available to fund its operating activities and capital expenditures in 2012.

Operating Activities

Net cash from operating activities for the three months ended March 31, 2012 was $480.0 million, an increase of $57.9 million compared to the three months ended March 31, 2011. The increase in cash from operating activities was the result of a decrease in pension and other postretirement plan funding of $87.5 million, which is discussed below. Additionally, there was a decrease of $78.6 million in the use of working capital from accounts payable resulting from lower gas prices and volumes in 2012 compared to 2011. These increases were partially offset by a decrease in working capital from income tax receivables of $78.4 million as there was a refund received in 2011 which did not occur in 2012.

Pension and Other Postretirement Plan Funding. NiSource expects to make contributions of approximately $3.3 million to its pension plans and approximately $51.7 million to its postretirement medical and life plans in 2012, which could change depending on market conditions. For the three months ended March 31, 2012, NiSource has contributed $0.9 million to its pension plans and $13.1 million to its other postretirement benefit plans.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

NISOURCE INC.

Investing Activities

NiSource's capital expenditures for the three months ended March 31, 2012 were $292.6 million, compared to $209.4 million for the comparable period in 2011. The increase is the result of increased spending for Gas Transmission and Storage Operations' system growth and Electric Operations' maintenance and other. NiSource projects 2012 capital expenditures to be approximately $1.4 billion.

Restricted cash was $149.7 million and $160.6 million as of March 31, 2012 and December 31, 2011, respectively. The decrease in restricted cash was due to the wind-down of NiSource's unregulated natural gas marketing business.

Financing Activities

Long-term Debt. Refer to Note 16, "Long-Term Debt," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on long-term debt.

Credit Facilities. On March 3, 2011, NiSource Finance entered into a new $1.5 billion four-year revolving credit facility with a syndicate of banks led by Barclays Capital. The new facility replaced an existing $1.5 billion five-year credit facility which would have expired during July 2011. The purpose of the new facility is to fund ongoing working capital requirements and for general corporate purposes, including supporting liquidity for the company's commercial paper program, and provides for the issuance of letters of credit.

During June 2011, NiSource Finance implemented a new commercial paper program with a program limit of up to $500.0 million with a dealer group comprised of Barclays, Citigroup, Credit Suisse and Wells Fargo. Commercial paper issuances are supported by available capacity under NiSource's $1.5 billion unsecured revolving credit facility, which expires in March 2015.

NiSource Finance had $391.0 million in outstanding borrowings under its four-year revolving credit facility at March 31, 2012, at a weighted average interest rate of 2.07% and borrowings of $725.0 million at December 31, 2011, at a weighted average interest rate of 1.99%. In addition, NiSource Finance had $496.6 million in commercial paper outstanding at March 31, 2012, at a weighted average interest rate of 0.31% and $402.7 million in commercial paper outstanding at December 31, 2011, at a weighted average interest rate of 1.01%.

As of March 31, 2012 and December 31, 2011, NiSource had $376.6 million and $231.7 million, respectively, of short-term borrowings recorded on the Condensed Consolidated Balance Sheets (unaudited) and cash from financing activities in the same amount relating to its accounts receivable securitization facilities. See Note 11, "Transfers of Financial Assets."

As of March 31, 2012 and December 31, 2011, NiSource had $37.5 million of stand-by letters of credit outstanding of which $19.2 million were under the revolving credit facility.

As of March 31, 2012, an aggregate of $593.2 million of credit was available under the credit facility.

Sale of Trade Accounts Receivables. Refer to Note 11, "Transfers of Financial Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on the sale of accounts receivable.

All accounts receivable sold to the commercial paper conduits are valued at face value, which approximates fair value due to their short-term nature. The amount of the undivided percentage ownership interest in the accounts receivables sold is determined, in part, by required loss reserves under the agreements.

Credit Ratings. On February 29, 2012, Standard & Poor's affirmed the senior unsecured ratings for NiSource and its subsidiaries at BBB-. Standard & Poor's outlook for NiSource and all of its subsidiaries is stable. On December 13, 2011, Fitch affirmed the senior unsecured ratings for NiSource at BBB-, and the existing ratings of all other subsidiaries. Fitch's outlook for NiSource and all of its subsidiaries is stable. On November 18, 2011, Moody's

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Investors Service affirmed the senior unsecured ratings for NiSource at Baa3, and the existing ratings of all other subsidiaries. Moody's outlook for NiSource and all of its subsidiaries is stable. Although all ratings continue to be investment grade, a downgrade by Standard & Poor's, Moody's or Fitch would result in a rating that is below investment grade.

Certain NiSource affiliates have agreements that contain "ratings triggers" that require increased collateral if the credit ratings of NiSource or certain of its subsidiaries are rated below BBB- by Standard & Poor's or Baa3 by Moody's. These agreements are primarily for insurance purposes and for the physical purchase or sale of power. The collateral requirement that would be required in the event of a downgrade below the ratings trigger levels would amount to approximately $23.0 million. In addition to agreements with ratings triggers, there are other agreements that contain "adequate assurance" or "material adverse change" provisions that could necessitate additional credit support such as letters of credit and cash collateral to transact business. In addition, under Northern Indiana's trade receivables sales program, an event of termination occurs if Northern Indiana's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB or Ba2 at either Standard & Poor's or Moody's, respectively. Likewise, under Columbia of Ohio's and Columbia of Pennsylvania's trade receivables sales programs, an event of termination occurs if NiSource's debt rating is withdrawn by either Standard & Poor's or Moody's, or falls below BB- or Ba3 at either Standard & Poor's or Moody's, respectively.

Contractual Obligations. Refer to Note 13, "Income Taxes," in the Notes to Condensed Consolidated Financial Statements (unaudited) for material changes recorded during the three months ended March 31, 2012 to NiSource's uncertain tax positions recorded as of December 31, 2011.

Forward Equity Sale. Refer to Note 4, "Forward Equity Agreement," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on financing activities related to the forward equity sale.

Market Risk Disclosures

Risk is an inherent part of NiSource's energy businesses. The extent to which NiSource properly and effectively identifies, assesses, monitors and manages each of the various types of risk involved in its businesses is critical to its profitability. NiSource seeks to identify, assess, monitor and manage, in accordance with defined policies and procedures, the following principal market risks that are involved in NiSource's energy businesses: commodity price risk, interest rate risk and credit risk. Risk management at NiSource is a multi-faceted process with oversight by the Risk Management Committee that requires constant communication, judgment and knowledge of specialized products and markets. NiSource's senior management takes an active role in the risk management process and has developed policies and procedures that require specific administrative and business functions to assist in the identification, assessment and control of various risks. These include but are not limited to market, operational, financial and strategic risk types. In recognition of the increasingly varied and complex nature of the energy business, NiSource's risk management process, policies and procedures continue to evolve and are subject to ongoing review and modification.

Various analytical techniques are employed to measure and monitor NiSource's market and credit risks, including VaR. VaR represents the potential loss or gain for an instrument or portfolio from changes in market factors, for a specified time period and at a specified confidence level.

Commodity Price Risk

NiSource is exposed to commodity price risk as a result of its subsidiaries' operations involving natural gas and power. To manage this market risk, NiSource's subsidiaries use derivatives, including commodity futures contracts, swaps and options. NiSource is not involved in speculative energy trading activity.

Commodity price risk resulting from derivative activities at NiSource's rate-regulated subsidiaries is limited, since regulations allow recovery of prudently incurred purchased power, fuel and gas costs through the rate-making process, including gains or losses on these derivative instruments. If states should explore additional regulatory reform, these subsidiaries may begin providing services without the benefit of the traditional rate-making process and may be more exposed to commodity price risk. Some of NiSource's rate-regulated utility subsidiaries offer commodity price risk products to its customers for which derivatives are used to hedge forecasted customer usage under such products. These subsidiaries do not have regulatory recovery orders for these products and are subject to gains and losses recognized in earnings due to hedge ineffectiveness.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

NISOURCE INC.

Interest Rate Risk

NiSource is exposed to interest rate risk as a result of changes in interest rates on borrowings under its revolving credit agreement, commercial paper program and accounts receivable programs, which have interest rates that are indexed to short-term market interest rates. NiSource is also exposed to interest rate risk due to changes in interest rates on fixed-to-variable interest rate swaps that hedge the fair value of long-term debt. Based upon average borrowings and debt obligations subject to fluctuations in short-term market interest rates, an increase (or decrease) in short-term interest rates of 100 basis points (1%) would have increased (or decreased) interest expense by $4.4 million for the three months ended March 31, 2012 and $4.4 million for the three months ended March 31, 2011.

Credit Risk

Due to the nature of the industry, credit risk is embedded in many of NiSource's business activities. NiSource's extension of credit is governed by a Corporate Credit Risk Policy. In addition, Risk Management Committee guidelines are in place which document management approval levels for credit limits, evaluation of creditworthiness, and credit risk mitigation efforts. Exposures to credit risks are monitored by the Corporate Credit Risk function which is independent of commercial operations. Credit risk arises due to the possibility that a customer, supplier or counterparty will not be able or willing to fulfill its obligations on a transaction on or before the settlement date. For derivative related contracts, credit risk arises when counterparties are obligated to deliver or purchase defined commodity units of gas or power to NiSource at a future date per execution of contractual terms and conditions. Exposure to credit risk is measured in terms of both current obligations and the market value of forward positions net of any posted collateral such as cash, letters of credit and qualified guarantees of support.

NiSource closely monitors the financial status of its banking credit providers and interest rate swap counterparties. NiSource evaluates the financial status of its banking partners through the use of market-based metrics such as credit default swap pricing levels, and also through traditional credit ratings provided by major credit rating agencies.

On October 31, 2011, cash and derivatives broker-dealer MF Global filed for Chapter 11 bankruptcy protection. MF Global brokered NYMEX futures of natural gas futures on behalf of NiSource affiliates. At the date of bankruptcy, NiSource affiliates had contracts open with MF Global with settlement dates ranging from November 2011 to February 2014. On November 3, 2011, these contracts were measured at a mark-to-market loss of approximately $46.4 million. NiSource affiliates had posted initial margin to open these accounts of $6.9 million and additional maintenance margin for mark-to-market losses, for a total cash balance of $53.3 million. Within the first week after the filing, at the direction of the Bankruptcy Court, a transfer of assets was initiated on behalf of NiSource affiliates to a court-designated replacement broker for future trade activity. The existing futures positions were closed and then rebooked with the replacement broker at the new closing prices as of November 3, 2011. Initial margin on deposit at MF Global of $5.7 million was transferred to the court-designated replacement broker. The maintenance margin was retained by MF Global to offset the loss positions of the open contracts on November 3, 2011. NiSource affiliates are monitoring the activity in the bankruptcy case and have filed a proof of claim at the Court's direction. As of March 31, 2012, NiSource affiliates maintained a reserve for the $1.2 million difference between the initial margin posted with MF Global and the cash transferred to the court-designated replacement broker as a loss contingency.

Fair Value Measurement

NiSource measures certain financial assets and liabilities at fair value. The level of the fair value hierarchy disclosed is based on the lowest level of input that is significant to the fair value measurement. NiSource's financial assets and liabilities include price risk assets and liabilities, available-for-sale securities and a deferred compensation plan obligation.

Exchange-traded derivative contracts are generally based on unadjusted quoted prices in active markets and are classified within Level 1. These financial assets and liabilities are secured with cash on deposit with the exchange; therefore nonperformance risk has not been incorporated into these valuations. Certain non-exchange-traded derivatives are valued using broker or over-the-counter, on-line exchanges. In such cases, these non-exchange-traded derivatives are classified within Level 2. Non-exchange-based derivative instruments include swaps, forwards, and options. In certain instances, these instruments may utilize models to measure fair value. NiSource

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

uses a similar model to value similar instruments. Valuation models utilize various inputs that include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, other observable inputs for the asset or liability, and market-corroborated inputs, i.e., inputs derived principally from or corroborated by observable market data by correlation or other means. Where observable inputs are available for substantially the full term of the asset or liability, the instrument is categorized in Level 2. Certain derivatives trade in less active markets with a lower availability of pricing information and models may be utilized in the valuation. When such inputs have a significant impact on the measurement of fair value, the instrument is categorized in Level 3. Credit risk is considered in the fair value calculation of derivative instruments that are not exchange-traded. Credit exposures are adjusted to reflect collateral agreements which reduce exposures.

Price risk management assets also include fixed-to-floating interest-rate swaps, which are designated as fair value hedges, as a means to achieve its targeted level of variable-rate debt as a percent of total debt. NiSource uses a calculation of future cash inflows and estimated future outflows related to the swap agreements, which are discounted and netted to determine the current fair value. Additional inputs to the present value calculation include the contract terms, as well as market parameters such as current and projected interest rates and volatility. As they are based on observable data and valuations of similar instruments, the interest-rate swaps are categorized in Level 2 in the fair value hierarchy. Credit risk is considered in the fair value calculation of the interest rate swap.

Refer to Note 10, "Fair Value Disclosures," in the Notes to the Condensed Consolidated Financial Statements (unaudited) for additional information on NiSource's fair value measurements.

Market Risk Measurement

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses for a specified position or portfolio. NiSource calculates a one-day VaR at a 95% confidence level for the unregulated gas marketing group that utilizes a variance/covariance methodology. The daily market exposure for the unregulated gas marketing portfolio on an average, high and low basis was $0.1 million, $0.2 million and $0.1 million, respectively, for the first quarter of 2012. Prospectively, management has set the VaR limit at $0.4 million for gas marketing. Exceeding this limit would result in management actions to reduce portfolio risk.

Refer to Note 9, "Risk Management Activities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for further discussion of NiSource's risk management.

Off Balance Sheet Arrangements

As a part of normal business, NiSource and certain subsidiaries enter into various agreements providing financial or performance assurance to third parties on behalf of certain subsidiaries. Such agreements include guarantees and stand-by letters of credit.

NiSource has issued guarantees that support up to approximately $141.9 million of commodity-related payments for its current and former subsidiaries involved in energy marketing activities. These guarantees were provided to counterparties in order to facilitate physical and financial transactions involving natural gas services. To the extent liabilities exist under the commodity-related contracts subject to these guarantees, such liabilities are included in the Condensed Consolidated Balance Sheets (unaudited).

NiSource has purchase and sales agreement guarantees totaling $30.0 million, which guarantee performance of the seller's covenants, agreements, obligations, liabilities, representations and warranties under the agreements. No amounts related to the purchase and sales agreement guarantees are reflected in the Condensed Consolidated Balance Sheets (unaudited). Management believes that the likelihood NiSource would be required to perform or otherwise incur any significant losses associated with any of the aforementioned guarantees is remote.

NiSource has other guarantees outstanding. Refer to Note 19-A, "Guarantees and Indemnities," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information about NiSource's off balance sheet arrangements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

NISOURCE INC.

Other Information

Critical Accounting Policies

Goodwill. NiSource's goodwill assets at March 31, 2012 were $3,677.3 million, most of which resulted from the acquisition of Columbia on November 1, 2000. In addition, Northern Indiana Gas Distribution Operations' goodwill assets at June 30, 2011 related to the purchase of Northern Indiana Fuel and Light and Kokomo Gas were $18.8 million. As required, NiSource tests for impairment of goodwill on an annual basis and on an interim basis when events or circumstances indicate that a potential impairment may exist. NiSource's annual goodwill test takes place in the second quarter of each year and was most recently finalized as of June 30, 2011. The fair value of each reporting unit exceeded the carrying value based on this impairment test. Refer to Note 12, "Goodwill Assets," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information concerning NiSource's annual goodwill test.

There were no significant changes to critical accounting policies for the period ended March 31, 2012.

Recently Adopted and Issued Accounting Pronouncements

Refer to Note 2, "Recent Accounting Pronouncements," in the Notes to Condensed Consolidated Financial Statements (unaudited).

International Financial Reporting Standards

In February 2012, the SEC Chief Accountant advised that SEC commissioners will receive a proposal on IFRS in the coming months when the SEC Staff produces their final report on IFRS. In February 2010, the SEC expressed its commitment to the development of a single set of high quality globally accepted accounting standards and directed its staff to execute a work plan addressing specific areas of concern regarding the potential incorporation of IFRS for the U.S. In May 2011, a Staff Paper was issued outlining a possible endorsement approach for the incorporation of IFRS into the U.S. financial reporting system, as opposed to a single-date approach, if the SEC were to decide that incorporation of IFRS is in the best interest of U.S. investors. Under this possible framework, IFRS would be incorporated into U.S. GAAP during a transition period (e.g., five to seven years) and the FASB would be retained as the United States standard setter. The accounting differences between U.S. GAAP and IFRS are complex and significant in many aspects, and conversion to IFRS would have broad impacts on NiSource. NiSource's strategy for addressing a potential mandate of IFRS will be re-assessed when the SEC makes its determination on whether to require the use of IFRS and by what method.

Dodd-Frank Financial Reform Bill

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("the Act") was passed by Congress on July 15, 2010 and was signed into law on July 21, 2010. The Act, among other things, establishes a Financial Stability Oversight Council ("FSOC") and a Consumer Financial Protection Bureau ("CFPB") whose duties will include the monitoring of domestic and international financial regulatory proposals and developments, as well as the protection of consumers. The FSOC may submit comments to the SEC and any standard-setting body with respect to an existing or proposed accounting principle, standard or procedure. The Act also creates increased oversight of the over-the-counter derivative market, requiring certain transactions in swaps, options, and other derivatives to be cleared through a clearing house, requiring cash margins to be posted for those transactions, and requiring substantial reporting and regulatory oversight for entities engaged as a dealer in derivatives and swaps. Some regulations to implement the Act have been finalized and others are scheduled to be issued later this year. NiSource is monitoring the rulemaking process under the Act. Although the Act and the new regulations are expected to have some impact on capital markets and derivatives markets generally, NiSource does not expect the Act to have any material effect on its operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

RESULTS AND DISCUSSION OF SEGMENT OPERATIONS

Presentation of Segment Information

NiSource's operations are divided into three primary business segments: Gas Distribution Operations, Gas Transmission and Storage Operations, and Electric Operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

NISOURCE INC.

Gas Distribution Operations

Three Months Ended March 31, *(in millions)*	2012	2011
Net Revenues		
Sales Revenues	$ 1,069.3	$ 1,585.5
Less: Cost of gas sold (excluding depreciation and amortization)	555.6	997.9
Net Revenues	513.7	587.6
Operating Expenses		
Operation and maintenance	204.2	242.2
Depreciation and amortization	46.7	42.9
Loss on sale or impairment of assets	-	0.1
Other taxes	50.8	60.9
Total Operating Expenses	301.7	346.1
Operating Income	$ 212.0	$ 241.5
Revenues ($ in Millions)		
Residential	726.5	1,075.7
Commercial	241.7	360.2
Industrial	60.3	77.8
Off System	35.1	76.8
Other	5.7	(5.0)
Total	1,069.3	1,585.5
Sales and Transportation (MMDth)		
Residential	102.9	134.5
Commercial	61.2	77.6
Industrial	131.3	118.9
Off System	13.5	17.5
Other	0.1	0.3
Total	309.0	348.8
Heating Degree Days	2,262	3,014
Normal Heating Degree Days	2,931	2,900
% (Warmer) Colder than Normal	(23%)	4%
Customers		
Residential	3,050,576	3,047,157
Commercial	281,539	282,044
Industrial	7,859	7,705
Other	18	65
Total	3,339,992	3,336,971

NiSource's natural gas distribution operations serve approximately 3.3 million customers in seven states: Ohio, Indiana, Pennsylvania, Massachusetts, Virginia, Kentucky and Maryland. The regulated subsidiaries offer both traditional bundled services as well as transportation only for customers that purchase gas from alternative suppliers. The operating results reflect the temperature-sensitive nature of customer demand with 74% of annual residential and commercial throughput affected by seasonality. As a result, segment operating income is higher in the first and fourth quarters reflecting the heating demand during the winter season.

Regulatory Matters

Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on significant developments and cost recovery and trackers for the Gas Distribution Operations segment.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Gas Distribution Operations (continued)

Customer Usage. Increased efficiency of natural gas appliances and improvements in home building codes and standards has contributed to a long-term trend of declining average use per customer. In addition, usage for the first quarter of 2012 declined from the same period last year primarily due to warmer than normal weather. While historically, rate design at the distribution level has been structured such that a large portion of cost recovery is based upon throughput, rather than in a fixed charge, operating costs are largely incurred on a fixed basis, and do not fluctuate due to changes in customer usage. As a result, the NiSource LDCs have pursued changes in rate design to more effectively match recoveries with cost incurrence. Each of the states in which the NiSource LDCs operate has different requirements regarding the procedure for establishing changes to rate design. Columbia of Ohio restructured its rate design through a base rate proceeding and has adopted a "de-coupled" rate design which more closely links the recovery of fixed costs with fixed charges. Columbia of Massachusetts and Columbia of Virginia received regulatory approval of decoupling mechanisms which adjust revenues to an approved benchmark level through a volumetric adjustment factor. In its 2011 rate case, Columbia of Pennsylvania implemented a higher fixed residential customer charge. In its 2010 rate case, Northern Indiana implemented a higher fixed customer charge for residential and small customer classes moving toward full straight fixed variable rate design. This rate design was also incorporated in the settlement of the 2011 merger of the three Indiana LDCs; Northern Indiana, Kokomo Gas and Northern Indiana Fuel and Light.

Environmental Matters

Various environmental matters occasionally impact the Gas Distribution Operations segment. As of March 31, 2012, a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 19-C, "Environmental Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding environmental matters for the Gas Distribution Operations segment.

Weather

In general, NiSource calculates the weather related revenue variance based on changing customer demand driven by weather variance from normal heating degree-days. Normal is evaluated using heating degree days across the NiSource distribution region. While the temperature base for measuring heating degree days (i.e. the estimated average daily temperature at which heating load begins) varies slightly across the region, the NiSource composite measurement is based on 65 degrees. NiSource composite heating degree days reported do not directly correlate to the weather related dollar impact on the results of Gas Distribution Operations. Heating degree days experienced during different times of the year or in different operating locations may have more or less impact on volume and dollars depending on when and where they occur. When the detailed results are combined for reporting, there may be weather related dollar impacts on operations when there is not an apparent or significant change in the aggregated NiSource composite heating degree-day comparison.

Weather in the Gas Distribution Operations' territories for the first quarter of 2012 was 23% warmer than normal and 25% warmer than the first quarter in 2011.

Throughput

Total volumes sold and transported of 309.0 MMDth for the first quarter of 2012 decreased by 39.8 MMDth from the same period last year. This 11.4% decrease in volume was primarily due to warmer weather.

Net Revenues

Net revenues for the first quarter of 2012 were $513.7 million, a decrease of $73.9 million from the same period in 2011, due primarily to lower regulatory and tax trackers, which are offset in expense, of $46.4 million and the effects of warmer weather of $39.0 million. These decreases in net revenues were partially offset by an increase of $11.5 million for regulatory and service programs, including impacts from the rate case at Columbia of Pennsylvania and the implementation of rates under Columbia of Ohio's approved infrastructure replacement program.

At Northern Indiana, sales revenues and customer billings are adjusted for amounts related to under and over-recovered purchased gas costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to Other gross revenues for the three months ended March 31, 2012 was a revenue decrease of $36.2 million compared to a decrease of $34.9 million for the three months ended March 31, 2011.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Gas Distribution Operations (continued)

Operating Income

For the first quarter of 2012, Gas Distribution Operations reported operating income of $212.0 million, a decrease of $29.5 million from the comparable 2011 period. Operating income decreased as a result of lower net revenues, as described above, partially offset by lower operating expenses. Operating expenses were $44.4 million lower than the comparable period reflecting a decrease of $46.4 million in regulatory and tax trackers, which are offset in net revenue. This was partially offset by an increase of $3.8 million in depreciation costs due to an increase in capital expenditures.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Gas Transmission and Storage Operations

Three Months Ended March 31, *(in millions)*	2012	2011
Net Revenues		
Transportation revenues	$ 218.1	$ 199.7
Storage revenues	49.3	50.5
Other revenues	8.0	5.2
Total Operating Revenues	275.4	255.4
Less: Cost of sales (excluding depreciation and amortization)	0.9	-
Net Revenues	274.5	255.4
Operating Expenses		
Operation and maintenance	94.7	94.6
Depreciation and amortization	33.0	32.7
Other taxes	15.9	12.7
Total Operating Expence	143.6	140.0
Equity Earnings in Unconsolidated Affiliates	7.7	3.0
Operating Income	$ 138.6	$ 118.4
Throughput (MMDth)		
Columbia Transmission	379.4	426.6
Columbia Gulf	227.5	244.0
Crossroads Gas Pipeline	4.3	5.1
Intrasegment eliminations	(105.7)	(152.6)
Total	505.5	52

NiSource's Gas Transmission and Storage Operations segment primarily consists of the operations of Columbia Transmission, Columbia Gulf, NiSource Midstream, Crossroads Pipeline, and the equity investments in Millennium and Hardy Storage. In total, NiSource owns a pipeline network of approximately 15,000 miles extending from the Gulf of Mexico to New York and the eastern seaboard. The pipeline network serves customers in 16 northeastern, mid-Atlantic, midwestern and southern states, as well as the District of Columbia. In addition, the Gas Transmission and Storage Operations segment operates one of the nation's largest underground natural gas storage systems.

Gas Transmission and Storage Operations' most significant projects are as follows:

Growth Projects Placed into Service

Clendenin Project. Construction began in 2010 on this approximately $18 million capital project that modified existing facilities in the Clendenin, West Virginia area to move Marcellus production to liquid market centers. The Clendenin project provided the Gas Transmission and Storage Operations segment the ability to meet incremental transportation demand of up to 150,000 Dth per day. Long-term firm transportation contracts for 133,100 Dth were executed, some of which began in the third quarter 2010 and others that began in June 2011.

East Lateral Project. In 2010, the Gas Transmission and Storage Operations segment initiated a $5 million project to modify existing facilities on the Columbia Gulf East Lateral to provide firm transportation service for up to 300,000 Dth per day. Firm transportation contracts for 250,000 Dth per day were executed for five-year terms. This FERC-approved project was completed and put into service in May 2011.

Majorsville, PA Project. The Gas Transmission and Storage Operations segment executed three separate projects totaling approximately $80 million in the Majorsville, PA vicinity to aggregate Marcellus Shale gas production for downstream transmission. Fully contracted, the pipeline and compression assets allow the Gas Transmission and Storage Operations segment to gather and deliver more than 325,000 Dth per day of Marcellus production gas to the Majorsville MarkWest Liberty processing plants developed by MarkWest Liberty Midstream & Resources L.L.C.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Gas Transmission and Storage Operations (continued)

In 2010, Columbia Transmission received approval from the FERC to refunctionalize certain transmission assets to gathering and transferred these pipeline facilities to a newly formed affiliate, NiSource Midstream Services, LLC. These facilities are included in providing non-FERC jurisdiction gathering services to producers in the Majorsville, PA vicinity. Two of the three projects were completed and placed into service on August 1, 2010, creating an integrated gathering and processing system serving Marcellus production in southwestern Pennsylvania and northern West Virginia. Precedent agreements were executed by anchor shippers in the fourth quarter of 2009, which were superseded by the execution of long-term service agreements in August and September 2010. In the fourth quarter, construction began on the third project on a pipeline to deliver residue gas from the Majorsville MarkWest Liberty processing plant to the Texas Eastern Wind Ridge compressor station in southwestern Pennsylvania to provide significant additional capacity to eastern markets. This project was placed into service in April 2011.

Southern Appalachian Project. The Gas Transmission and Storage Operations segment invested nearly $4 million that expanded Line SM-116 to transport approximately 38,500 Dth per day on a firm basis as a continuation of its strategy to provide transportation services to producers of Marcellus and Appalachian gas. This additional capacity was supported by executed, binding precedent agreements. These additional facilities were placed in service in April 2011.

Growth Projects in Progress

Smithfield Project. The Gas Transmission and Storage Operations segment is making approximately $14 million of capital investments for modifications to existing pipeline and compressor facilities to accommodate receipt of up to 150,000 Dth per day of additional Marcellus gas from connections near Smithfield, West Virginia and Waynesburg, Pennsylvania. Three anchor shippers agreed to long-term, firm transportation contracts, one contract that began in April 2011 and others that began in August 2011. The project is expected to be fully in service in July 2012.

Ellisburg Expansion Project. The Gas Transmission and Storage Operations segment is investing approximately $7 million for this project to add capacity to north central Pennsylvania to meet the growing demands of producers in the area. The project expands Line 134 from the Ellisburg compressor station to the Iowa regulator, adding approximately 19,000 Dth per day of additional capacity, all of which has been sold through precedent agreements. The project will be placed into service in the second quarter of 2012.

Line WB Expansion Project. The Gas Transmission and Storage Operations segment is expanding its WB system through investment in additional facilities, which provide transportation service on a firm basis from Loudoun, Virginia to Leach, Kentucky. The expansion totaled approximately $14 million, allowing producers to meet incremental transportation demand in the Marcellus/Appalachian Basin. Binding precedent agreements for approximately 175,000 Dth per day of firm transportation capacity were executed, some which began in January 2011. Final construction on all facilities will be completed and placed into service in May 2012.

Big Pine Gathering System Project. The Gas Transmission and Storage Operations segment is making an investment of approximately $150 million, which includes right-of-way acquisitions and installation, refurbishment and operation of approximately 70 miles of pipeline facilities in the hydrocarbon-rich Western Pennsylvania shale production region. The newly constructed pipeline will have an initial combined capacity of 425,000 Dth per day. Natural gas will initially be sourced from a new processing plant owned by XTO Energy Inc., a subsidiary of ExxonMobil, and delivered to Columbia Transmission and two other third-party pipelines in Pennsylvania. The project is expected to be placed in service in late 2012.

Power Plant Generation Project. The Gas Transmission and Storage Operations segment is spending nearly $35 million on an expansion project, which includes new pipeline and modifications to existing compression assets, with Virginia Power Services Energy Corporation, Inc., the energy manager for Virginia Electric and Power Company. This project will expand the Columbia Transmission system in order to provide up to nearly 250,000 Dth per day of transportation capacity under a long-term, firm contract. The project is expected to be ready for commercial operations by mid-2014.

Westside Expansion. The Gas Transmission and Storage Operations segment is planning to invest $220 million in new pipeline and compression to increase supply origination from the Smithfield and Waynesburg areas on the Columbia Transmission system and provides a backhaul transportation path to Gulf Coast markets on the Columbia Gulf system. This investment will increase capacity up to 500,000 Dth per day transporting Marcellus production under long-term, firm contracts. The project is expected to be in service by the fourth quarter 2014.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Gas Transmission and Storage Operations (continued)

Equity Investments

Millennium Pipeline. Millennium Pipeline Company, L.L.C. operates approximately 250 miles of pipeline granted under the authority of the FERC. The Millennium pipeline has the capability to transport up to 525,400 Dth per day of natural gas to markets along its route, which lies between Corning, New York and Ramapo, New York, as well as to the New York City market through its pipeline interconnections. Columbia Transmission owns a 47.5% interest in Millennium and acts as operator for the pipeline in partnership with DTE Millennium Company and National Grid Millennium LLC, which each own an equal remaining share of the company.

Columbia Transmission made a contribution of $5.2 million and received distributions of earnings of $12.4 million from Millennium in the first quarter 2012. No contributions were made nor distributions received during the first quarter of 2011.

Hardy Storage. Hardy Storage is a joint venture between subsidiaries of Columbia Transmission and Piedmont that manages an underground storage field in Hardy and Hampshire counties in West Virginia. Columbia Transmission serves as operator of the company, which is regulated by the FERC. Hardy Storage has a working storage capacity of 12 Bcf and the ability to deliver 176,000 Dth of natural gas per day.

Hardy Storage distributed a total of $0.5 million and $1.8 million of available accumulated earnings in the first quarter 2012 and 2011, respectively, to NiSource. NiSource made no contributions during the first quarter of 2012 or 2011.

Sales and Percentage of Physical Capacity Sold

Columbia Transmission and Columbia Gulf compete for transportation customers based on the type of service a customer needs, operating flexibility, available capacity and price. Columbia Gulf and Columbia Transmission provide a significant portion of total transportation services under firm contracts and derive a smaller portion of revenues through interruptible contracts, with management seeking to maximize the portion of physical capacity sold under firm contracts.

Firm service contracts require pipeline capacity to be reserved for a given customer between certain receipt and delivery points. Firm customers generally pay a "capacity reservation" fee based on the amount of capacity being reserved regardless of whether the capacity is used, plus an incremental usage fee when the capacity is used. Annual capacity reservation revenues derived from firm service contracts generally remain constant over the life of the contract because the revenues are based upon capacity reserved and not whether the capacity is actually used. The high percentage of revenue derived from capacity reservation fees mitigates the risk of revenue fluctuations within the Gas Transmission and Storage Operations segment due to changes in near-term supply and demand conditions. For the quarter ended March 31, 2012, approximately 91.8% of the transportation revenues were derived from capacity reservation fees paid under firm contracts and 6.5% of the transportation revenues were derived from usage fees under firm contracts compared to approximately 91.7% and 6.8%, respectively, for the quarter ended March 31, 2011.

Interruptible transportation service is typically short term in nature and is generally used by customers that either do not need firm service or have been unable to contract for firm service. These customers pay a usage fee only for the volume of gas actually transported. The ability to provide this service is limited to available capacity not otherwise used by firm customers, and customers receiving services under interruptible contracts are not assured capacity in the pipeline facilities. Gas Transmission and Storage Operations provides interruptible service at competitive prices in order to capture short term market opportunities as they occur and interruptible service is viewed by management as an important strategy to optimize revenues from the gas transmission assets. For the quarters ended March 31, 2012 and 2011, approximately 1.7% and 1.5%, respectively, of the transportation revenues were derived from interruptible contracts.

M 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS
tinued)

NISOURCE INC.

Gas Transmission and Storage Operations (continued)

Regulatory Matters
Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on regulatory matters for the Gas Transmission and Storage Operations segment.

Environmental Matters
Various environmental matters occasionally impact the Gas Transmission and Storage Operations segment. As of March 31, 2012, a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 19-C, "Environmental Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding environmental matters for the Gas Transmission and Storage Operations segment.

Throughput
Columbia Transmission's throughput consists of gas transportation service deliveries to LDC city gates, to gas fired power plants, other industrial customers, or other interstate pipelines in its market area. Columbia Transmission's market area covers portions of Northeastern, Mid-Atlantic, Midwestern, and Southern states as well as the District of Columbia. Gas delivered via transportation services to storage is not accounted for as throughput until it is withdrawn from storage and delivered to one of the aforementioned locations via a transportation service. Throughput for Columbia Gulf traditionally consists of gas delivered to Columbia Transmission at Leach, Kentucky as well as gas delivered south of Leach to other interstate pipelines or to an LDC's city gate. Recent changes in market conditions have resulted in more non-traditional throughput such as backhaul transportation services that originate in Leach that flow southward. Columbia Gulf has also began to flow gas in a southerly direction from its Louisiana interconnects to Florida markets. Crossroads Pipeline serves customers in Northern Indiana and Ohio via gas flowing west to east originating from outside the Chicago area to Cygnet, Ohio where it interconnects with Columbia Transmission. Intra-segment eliminations represent gas delivered to an affiliated pipeline within the segment.

ughput for the Gas Transmission and Storage Operations segment totaled 505.5 MMDth for the first quarter of 2012, compared to 523.1 Dth for the same period in 2011. The decrease of 17.6 MMDth for the three-month period was attributable to the significantly warmer weather, which drove a vast majority of the decrease on the Columbia Transmission system. Because of the impact from increased production of Appalachian shale gas and the warmer winter weather, fewer deliveries were made on the Columbia Gulf system to Columbia Transmission at Leach, Kentucky. The increase in shale gas from the Appalachian, Haynesville and Barnett shale areas has also led to an increase in non-traditional throughput on Columbia Gulf in the form of backhaul services to serve demand in the Florida markets.

Net Revenues
Net revenues were $274.5 million for the first quarter of 2012, an increase of $19.1 million from the same period in 2011, primarily due to higher demand margin revenue of $8.6 million as a result of growth projects placed into service since the first quarter of 2011. Additionally, there was an increase of $7.2 million due to the impact of the rate case at Columbia Gulf and higher regulatory trackers of $2.6 million, which are offset in expense.

Operating Income
Operating income was $138.6 million for the first quarter of 2012, an increase of $20.2 million from the first quarter of 2011. This increase is due to an increase in operating revenues, as described above, and higher equity earnings, partially offset by higher operating expenses. Equity earnings increased $4.7 million primarily from increased earnings at Millennium. Operating expenses increased as a result of higher other taxes of $3.2 million and an increase in regulatory trackers of $2.6 million, which are offset in operating revenues. These increases were partially offset by a decrease in outside service costs of $3.8 million and lower employee and administrative expenses of $2.6 million, primarily pension costs.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (continued)

NISOURCE INC.

Electric Operations

Three Months Ended March 31, *(in millions)*	2012	2011
Net Revenues		
Sales revenues	$ 354.6	$ 348.4
Less: Cost of sales (excluding depreciation and amortization)	117.2	133.2
Net Revenues	237.4	215.2
Operating Expenses		
Operation and maintenance	114.1	93.8
Depreciation and amortization	60.9	54.5
Other taxes	16.2	16.3
Total Operating Expenses	191.2	164.6
Operating Income	$ 46.2	$ 50.6
Revenues ($ in millions)		
Residential	96.0	97.5
Commercial	100.4	92.5
Industrial	158.0	155.2
Wholesale	0.4	2.2
Other	(0.2)	1.0
Total	354.6	348.4
Sales (Gigawatt Hours)		
Residential	781.2	85
Commercial	907.8	92
Industrial	2,385.0	2,442.4
Wholesale	19.1	67.1
Other	32.5	44.5
Total	4,125.6	4,334.7
Electric Customers		
Residential	400,348	400,169
Commercial	53,928	53,826
Industrial	2,457	2,424
Wholesale	16	15
Other	717	739
Total	457,466	457,173

NiSource generates and distributes electricity, through its subsidiary Northern Indiana, to approximately 457 thousand customers in 20 counties in the northern part of Indiana. The operating results reflect the temperature-sensitive nature of customer demand with annual sales affected by temperatures in the northern part of Indiana. As a result, segment operating income is generally higher in the second and third quarters, reflecting cooling demand during the summer season.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS (Continued)

NISOURCE INC.

Electric Operations (continued)

Electric Supply

On October 28, 2011, Northern Indiana filed its 2011 Integrated Resource Plan with the IURC. The plan evaluates demand-side and supply-side resource alternatives to reliably and cost-effectively meet Northern Indiana customers' future energy requirements over the next twenty years. Existing resources are expected to be sufficient, assuming favorable outcomes for environmental upgrades, to meet customers' needs for the next decade. Northern Indiana continues to monitor and assess economic, regulatory and legislative activity, and will update its resource plan as appropriate.

Regulatory Matters

Refer to Note 8, "Regulatory Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for information on significant rate developments, MISO, and cost recovery and trackers for the Electric Operations segment.

Environmental Matters

Various environmental matters occasionally impact the Electric Operations segment. As of March 31, 2012, a reserve has been recorded to cover probable and estimable environmental response actions. Refer to Note 19-C, "Environmental Matters," in the Notes to Condensed Consolidated Financial Statements (unaudited) for additional information regarding environmental matters for the Electric Operations segment.

Sales

Electric Operations sales quantities for the first quarter of 2012 were 4,125.6 gwh, a decrease of 209.1 gwh compared to the first quarter of 2011.

Net Revenues

Net revenues were $237.4 million for the first quarter of 2012, an increase of $22.2 million from the same period in 2011, primarily due to increased industrial, commercial and residential margins of $20.6 million mainly due to the implementation of the electric rate case. Additionally, there were lower revenue credits of $13.9 million in the current period as the electric rate case discontinued these credits and an increase in RTO tracker revenues of $4.4 million. These increases were partially offset by a decrease in environmental cost recovery of $11.0 million due to the plant balance eligible for recovery being reset to zero as a result of the electric rate case and a decrease of $6.7 million due to the impact of weather.

At Northern Indiana, sales revenues and customer billings are adjusted for amounts related to under- and over-recovered purchased fuel costs from prior periods per regulatory order. These amounts are primarily reflected in the "Other" gross revenues statistic provided at the beginning of this segment discussion. The adjustment to Other gross revenues for the three months ended March 31, 2012 was a revenue decrease of $20.1 million, compared to a decrease of $10.8 million for the three months ended March 31, 2011.

Operating Income

Operating income for the first quarter of 2012 was $46.2 million, a decrease of $4.4 million from the same period in 2011 due to higher operating expenses partially offset by the increase in net revenues described above. Operating expenses increased $26.6 million due primarily to and higher employee and administrative costs of $7.7 million and an increase in electric generation costs of $6.8 million. Additionally, there was an increase in depreciation costs of $6.4 million primarily due to depreciation for Sugar Creek and higher MISO fees of $5.5 million, both of which were previously deferred and the electric rate case resulted in the expiration of those deferrals.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NISOURCE INC.

For a discussion regarding quantitative and qualitative disclosures about market risk see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Disclosures."

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NiSource's Chief Executive Officer and its Principal Financial Officer, after evaluating the effectiveness of NiSource's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded based on the evaluation required by paragraph (b) of Exchange Act Rules 13a-15 and 15d-15 that, as of the end of the period covered by this report, NiSource's disclosure controls and procedures are considered effective.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by NiSource in the reports that it files or submits under the Exchange Act is accumulated and communicated to NiSource's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There have been no changes in NiSource's internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, NiSource's internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

NISOURCE INC.

Majorsville Operations Center – PADEP Notice of Violation

In 1995, Columbia Transmission entered into an AOC with the EPA that requires Columbia Transmission to characterize and remediate environmental contamination at thousands of locations along Columbia Transmission's pipeline system. One of the facilities subject to the AOC is the Majorsville Operations Center, which was remediated under an EPA approved Remedial Action Work Plan in summer 2008. Pursuant to the Remedial Action Work Plan, Columbia Transmission completed a project that stabilized residual oil contained in soils at the site and in sediments in an adjacent stream.

On April 23, 2009, however, the PADEP issued Columbia Transmission an NOV, alleging that the remediation was not effective. The NOV asserts violations of the Pennsylvania Clean Streams Law and the Pennsylvania Solid Waste Management Act and contains a settlement demand in the amount of $1 million. Columbia Transmission is unable to estimate the likelihood or cost of potential penalties or additional remediation at this time.

ITEM 1A. RISK FACTORS

There were no material changes from the risk factors disclosed in NiSource's 2011 Annual Report on Form 10-K filed on February 24, 2012.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

NISOURCE INC.

(10.1)	Savings Restoration Plan for NiSource Inc. and Affiliates as amended and restated, effective January 1, 2012.
(10.2)	NiSource Inc. Executive Deferred Compensation Plan as amended and restated effective January 1, 2012.
(31.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of Robert C. Skaggs, Jr., Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
(32.2)	Certification of Stephen P. Smith, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
(101.INS)	XBRL Instance Document
(101.SCH)	XBRL Schema Document
(101.CAL)	XBRL Calculation Linkbase Document
(101.LAB)	XBRL Labels Linkbase Document
(101.PRE)	XBRL Presentation Linkbase Document
(101.DEF)	XBRL Definition Linkbase Document

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, NiSource hereby agrees to furnish the SEC, upon request, any instrument defining the r of holders of long-term debt of NiSource not filed as an exhibit herein. No such instrument authorizes long-term debt securities in excess 10% of the total assets of NiSource and its subsidiaries on a consolidated basis.

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NiSource Inc.
(Registrant)

Date: May 1, 2012

By: /s/ Jon D. Veurink
Jon D. Veurink
Vice President and Chief Accounting Officer
(Principal Accounting Officer
and Duly Authorized Officer)

Exhibit 10.1

SAVINGS RESTORATION PLAN

FOR NISOURCE INC. AND AFFILIATES

As Amended and Restated Effective January 1, 2012

TABLE OF CONTENTS

SAVINGS RESTORATION PLAN FOR NISOURCE INC. AND AFFILIATES

ARTICLE I.

BACKGROUND AND PURPOSE

1.1 **Background.** Prior to January 1, 2004, Columbia Energy Group sponsored the Savings Restoration Plan for Columbia Energy Group for eligible executives of Columbia Energy Group and certain Affiliates. Effective January 1, 2004, NiSource Inc., the parent company of Columbia Energy Group, assumed sponsorship of the Savings Restoration Plan for Columbia Energy Group, renamed the Plan the Savings Restoration Plan for NiSource Inc. and Affiliates, and broadened the Plan to include all employees of NiSource Inc. and Affiliates.

The Plan was amended and restated effective January 1, 2004, and amended effective January 1, 2005. The Plan was then amended and restated again effective January 1, 2005, to comply with Code Section 409A, and guidance and regulations thereunder, with respect to benefits earned under the Plan from and after January 1, 2005. Benefits under the Plan earned and vested prior to January 1, 2005 shall be administered without giving effect to Code Section 409A, and guidance and regulations thereunder. The provisions of the Plan as set forth herein apply only to Participants who actively participate in the Plan on or after January 1, 2005. Any Participant who retired or otherwise terminated employment with the Company and all Affiliates prior to January 1, 2005 shall have his or her rights determined under the provision of the Plan as it existed when his or her employment relationship terminated.

The Plan was further amended and restated, effective January 1, 2008, to provide for mandatory lump sum payments of small account balances in accordance with Code Section 409A. The Plan was amended and restated again, effective January 1, 2010, to contain provisions that eliminate mid-year enrollment into the Plan and to allow Participants who make Roth Contributions to a Basic Plan to participate in this Plan. The plan was further amended and restated, effective January 1, 2010, to restore certain Employer Contributions given to Participants who are classified as "exempt employees" by the Employer and who are hired or rehired on or after January 1, 2010.

The Plan was amended and restated again, effective May 13, 2011, to restore Profit Sharing Contributions that otherwise would have been contributed to Participants under the Basic Plan (if not subject to the Limits, defined below) and to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the ONC Committee to the Benefits Committee. The Plan is hereby amended and restated again, effective January 1, 2012, to (1) remove the ability of participants to make elective deferrals to the Plan; (2) change eligibility to receive Employer credits under the Plan to those employees who are in job scope level C2 and above; (3) provide for investment options in addition to the fixed interest credits currently available for the crediting of earnings on Accounts under the Plan; and (4) clarify other administrative matters related to the Plan.

1.2 **Purpose** . The purpose of the Plan is to provide for the payment of savings restoration benefits to employees of NiSource Inc. and Affiliates, whose benefits under the Basic Plan are subject to the Limits or affected by deferrals into the DCP, so that the total savings plan benefits of such employees shall be determined on the same basis as is applicable to all other employees of the Company. The Plan is adopted solely (1) for the purpose of providing benefits to Participants in the Plan and their Beneficiaries in excess of the Limits imposed on qualified plans by Code Section 401(a)(17) and any other Code Sections, by restoring benefits to such Plan Participants and Beneficiaries that are no longer available under the Basic Plan as a result of the Limits, and (2) for the purpose of restoring benefits to Plan Participants and Beneficiaries that are no longer available under the Basic Plan as a result of the Participant's deferrals into the DCP.

ARTICLE II.

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Except when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural. Defined terms used in the Plan that are not defined in this Article or elsewhere in the Plan but are defined in the Basic Plan shall have the meanings assigned to them in the Basic Plan. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

2.1 **Account.** The device used by an Employer to measure and determine the amount to be paid under the Plan. Each Account shall be divided into a Pre-2005 Account containing contributions to the Plan earned and vested prior to January 1, 2005, and a Post-2004 Account containing contributions to the Plan earned and/or vested on or after January 1, 2005.

2.2 **Affiliate** . Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

2.3 **Basic Plan.** The NiSource Inc. Retirement Savings Plan, as amended and restated effective January 1, 2010, and as further amended from time to time (or as amended and restated for any prior period to the extent the provisions of the Plan refer to such prior period for the Basic Plan).

2.4 **Beneficiary**. The person, persons or entity entitled to receive any Plan benefits payable after a Participant's death, as elected by a Participant under the Basic Plan.

2.5 **Benefits Committee**. The NiSource Benefits Committee.

2.6 **Board**. The Board of Directors of NiSource. Inc.

2.7 **Code**. The Internal Revenue Code of 1986, as amended from time to time.

2.8 **Company**. NiSource Inc.

2.9 **Compensation**. Compensation as defined under the Basic Plan for purposes of determining Pre-Tax Contributions, Roth Contributions, and Matching Contributions under the Basic Plan. For purposes of calculating Employer credits to Participant Accounts under this Plan, Compensation may exceed the Compensation Limit under Code Section 401(a)(17)(B) and shall not be impacted by any other Limit.

2.10 **DCP**. The Columbia Energy Group Deferred Compensation Plan on or prior to December 31, 2003, and, thereafter, the NiSource Inc. Executive Deferred Compensation Plan, as further amended from time to time.

2.11 **Disability**. A condition that (a) causes a Participant to be unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, (b) causes a Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, to receive income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company or an Affiliate or (c) causes a Participant to be eligible to receive Social Security disability payments.

2.12 **Effective Date**. January 1, 2012, the date on which the provisions of this amended and restated Plan become effective, except as otherwise provided herein.

2.13 **Eligible Employee**. A select group of management or highly compensated employees of the Employer who satisfy the criteria established by the ONC Committee in accordance with this Plan.

2.14 **Employer**. The Company or any Affiliate that maintains or adopts the Basic Plan for the benefit of its eligible Employees.

2.15 **ERISA**. The Employee Retirement Income Security Act of 1974, as amended.

2.16 **In-Service Withdrawal**. A distribution from a Participant's Pre-2005 Account before that Participant's Separation from Service made in accordance with the Participant's written election under Article V of this Plan.

2.17 **Limits**. The limits imposed on tax qualified retirement plans by Code Sections 415 and 401(a)(17) and any other Code Sections.

2.18 **ONC Committee**. The Officer Nomination and Compensation Committee of the Board of Directors of the Company.

2.19 **Participant**. Any Eligible Employee who is participating in the Plan in accordance with its provisions.

2.20 **Plan**. The Savings Restoration Plan for NiSource Inc. and Affiliates (formerly known as the Savings Restoration Plan for the Columbia Energy Group, and before that as the Thrift Restoration Plan for the Columbia Energy Group), as set forth herein and as amended from time to time.

2.21 **Plan Administrator**. The Benefits Committee or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan.

2.22 **Plan Year**. The 12-month period commencing each January 1 and ending the following December 31.

2.23 **Post-2004 Account**. The portion of a Participant's Account equal to the excess of (1) the balance of the Participant's Account determined as of a Participant's date of Separation from Service after December 31, 2004, over (2) the Pre-2005 Account, to which the Participant would be entitled under the Plan if he voluntarily separated from service without cause as of such date and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following his Separation from Service.

2.24 **Pre-2005 Account**. The portion of a Participant's Savings Account determined as of December 31, 2004, adjusted to reflect earnings (or losses) credited to such balance from and after such date.

2.25 **Separation from Service**. A termination of services provided by a Participant to his or her Employer, whether voluntarily or involuntarily, consistent with Code Section 409A and the guidance promulgated thereunder.

2.26 **Specified Employee**. A Participant who is in job scope level C2 or above with respect to any Employer that employs him or her; provided that if at any time the total number of employees in job category C2 and above is less than 50, a Specified Employee shall include any employee who meets the definition of "key employee" set forth in Code Section 416(i) (without reference to paragraph 5 of Code Section 416 (i)). A Participant shall be deemed to be a Specified Employee with respect to a Separation from Service that occurs during a calendar year if he or she is a Specified Employee on September 30 of the preceding calendar year. The Benefits Committee shall determine which Participants are Specified Employees in accordance with the guidance promulgated under Code Section 409A.

2.27 **Unforeseeable Emergency**. A severe financial hardship to a Participant resulting from an illness or accident of the Participant, the Participant's spouse or a dependent (as defined in Code Section 152(a)), of the Participant, loss of the Participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

2.28 **Valuation Date**. The close of business of each business day.

ARTICLE III.

ELIGIBILITY AND PARTICIPATION

3.1 **Eligibility**. On and after January 1, 2012, eligibility to participate in the Plan shall be limited to an employee in job scope level C2 or above.

3.2 **Participation**. The Plan Administrator shall inform each Employee of his or her eligibility to participate in the Plan as soon as practicable but before the earliest date such Employee's participation could become effective. An Eligible Employee becomes a Participant when the Employer credits the Participant's Account with the Employer credits described in Article IV of this Plan.

3.3 **Continuation of Participation**. A Participant shall remain a Participant so long as his or her Account has not been fully distributed to him or her.

3.4 **Amendment of Eligibility Criteria**. The ONC Committee may, in its discretion, change the criteria for eligibility for any reason, provided, however, that no change in the criteria for eligibility shall be effective unless such changes are (a) within guidelines established by the ONC Committee or (b) approved by the ONC Committee. Eligibility for participation in one year does not guarantee eligibility to participate in any future year.

ARTICLE IV.

ACCOUNTS

4.1 **Account.** The Employer credits, as described in Sections 4.2 and 4.3, and earnings thereon, shall be credited to the Participant's Account. The Account shall be a bookkeeping device utilized for the sole purpose of determining the benefits payable under the Plan and shall not constitute a separate fund of assets.

4.2 **Employer Credits**.

(a) Matching Contribution Credits. The amount of Employer credits related to Matching Contributions for a Participant shall equal (1) minus (2) below:

(1) The total amount of Matching Contributions that would otherwise have been contributed to the Basic Plan for the Participant during all years in which the Participant participated in the Basic Plan without regard to the Limits;

(2) The actual amount of Matching Contributions that have been contributed to the Basic Plan for the Participant.

In addition to making the credits related to Matching Contributions described above, the Employer also will make the following true-up credit. If (i) the allocation period under the Basic Plan is shorter than the Plan Year, and (ii) on the last day of the Plan Year, the amount of Matching Contributions under the Basic Plan is less than the amount of Matching Contributions that would have been made had the allocation period for Matching Contributions been the Plan Year, then the Employer will make an additional credit to a Participant's Account. This credit will be in the amount necessary to make the Employer credit related to Matching Contributions equal to the amount of Employer credits related to Matching Contributions that would have been made had the allocation period been the Plan Year. Notwithstanding the foregoing, an Employer shall make this true-up credit only for Participants who are employed with the Employer on the last day of the Plan Year and Participants who experienced a Separation from Service before the last day of the Plan Year due to death, Disability, or retirement.

(b) Profit Sharing Contribution Credits. Employer credits pursuant to this Section 4.2(b) shall be reflected in the Plan for all Participants in the Plan on or after such date, including the following: (1) those who received Profit Sharing Contributions to the Basic Plan for 2010 or later that were subject to the Limits, or (2) those who otherwise had Profit Sharing Contributions limited or adjusted under the Basic Plan on or after January 1, 2011. The amount of Employer credits related to Profit Sharing Contributions for a participant shall equal (1) minus (2) below:

(1) The total amount of Profit Sharing Contributions that otherwise would have been contributed to the Basic Plan for the Participant during all years in which the Participant participated in the Basic Plan, as determined by Compensation as defined under this Plan without regards to the Limits;

(2) The actual amount of Profit Sharing Contributions that have been contributed to the Basic Plan for the Participant.

(c) Next-Gen Contribution Credits. With respect to a Participant who is classified by the Employer as an "Transit Employee" and who is hired or rehired on or after January 1, 2010, the amount of Employer credits for a Participant shall equal (1) minus (2) below:

(1) The total amount of the Employer Contribution that otherwise would have been contributed to the Basic Plan in an amou equal to 3% of the Participant's Compensation (as defined under this Plan) without regard to the Limits;

(2) The actual amount of the Employer Contribution under the Basic Plan that was contributed to the Participant in an amount equal to 3% of the Participant's Compensation (as defined under the Basic Plan).

This amount shall be payable to any applicable Participant in addition to any amounts he or she may be entitled to under Sections 4.2(a) and 4.2(b) of this Plan and regardless of whether such Participant has signed a written agreement to participate in this Plan.

4.3 **Timing of Credits; Withholding**. The Employer credits shall be made to the Participant's Account annually, at such time determined by the Plan Administrator. Any withholding of taxes or other amounts that is required by federal, state, or local law shall be withheld from the Participant's nondeferred Compensation to the maximum extent possible and any remaining amount shall reduce the amount credited to the Participant's Account.

4.4 **Determination of Account**. Each Participant's Account as of each Valuation Date shall consist of the balance of the Account as of the immediately preceding Valuation Date, adjusted as follows:

(a) New Employer Credits. The Account shall be increased by any Employer credits made in accordance with Sections 4.2 or 4.3, as applicable, since such preceding Valuation Date.

(b) Distributions. The Account shall be reduced by any benefits distributed from the Account to the Participant since such preceding Valuation Date.

(c) Valuation of Account. The Account shall be increased or decreased by the aggregate earnings, gains and losses on such Account since such preceding Valuation Date, based on the manner in which the Participant's Account has been hypothetically allocated among the investment options selected by the Participant.

4.5 **Statement of Account**. The Plan Administrator shall give to each Participant a statement showing the balance in the Participant's Account periodically at such times as may be determined by the Plan Administrator, in written or electronic form.

ARTICLE V.

INVESTMENTS

5.1 **Investment Options**. Amounts credited hereunder to the Account of a Participant shall be invested as such Participant elects among the investment choices provided to the Participant. The investment options shall be determined by the Plan Administrator from time to time in its sole and absolute discretion. As necessary, the Plan Administrator may, in its sole discretion, discontinue, substitute or add an investment option. Each such action will take effect on such date established by the Plan Administrator.

5.2 **Election of Investment Options**. A Participant, in connection with his or her payment election under Article VI of this Plan, shall elect one or more of the previously described investment options, as applicable, to be used to determine the amounts to be credited or debited to his or her Account. If a Participant does not elect any investment options, the Participant's Account shall automatically be allocated into the lowest-risk investment option, as determined by the Plan Administrator, in its sole discretion. The Participant may (but is not required to) elect to add or delete one or more investment options to be used to determine the amounts to be credited or debited to his or her Account, or to change the portion of his or her Account allocated to each previously or newly elected investment option. If an election is made in accordance with the previous sentence, it shall apply as of the first business day deemed reasonably practicable by the Plan Administrator, in its sole discretion, and shall continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence. Notwithstanding the foregoing, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which one or more of the investment options elected in accordance with this Section may be added or deleted by such Participant; furthermore, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which the Participant may change the portion of his or her Account allocated to each previously or newly elected investment option.

5.3 **Allocation of Investment Options**. In making any election related to investment options, the Participant shall specify, in increments specified by the Plan Administrator, the percentage of his or her Account or investment option, as applicable, to be allocated or reallocated.

5.4 **No Actual Investment**. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the investment options are to be used for measurement purposes only, and a Participant's election of any such investment option, the allocation of his or her Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account shall not be considered or construed in any manner as an actual investment of his or her Account in any such investment option. In the event that the

Company, in its own discretion, decides to invest funds in any or all of the investments on which the investment options are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company; the Participant shall at all times remain an unsecured creditor of the Company.

ARTICLE VI.

PAYMENTS AND DISTRIBUTIONS

6.1 **Distributions/Events Generally** . Participants generally will not be entitled to receive a distribution of their Account balance until they experience a Separation from Service with the Employer for any reason. A Participant may receive a distribution before Separation from Service, however, in accordance with this Article VI, upon (1) an Unforeseeable Emergency that occurs before Separation from Service, or (2) a year that has been designated by the Participant only with respect to his Pre-2005 Account balance that occurs before Separation from Service.

6.2 **In-Service Withdrawals** . This section applies only to a Participant's Pre-2005 Account balance.

(a) General Payments . Subject to the limitations of paragraph (b) below, a Participant, by filing a written request with the Plan Administrator, may, while employed by an Employer or an Affiliate, elect to withdraw 33%, 67% or 100% of his or her Pre-2005 Account.

(b) Limitation on In-Service Withdrawals . Any In-Service Withdrawal under paragraph (a) of this Section 6.2 shall be subject to a 10% early distribution penalty. In addition, the following conditions shall apply to In-Service Withdrawals:

(1) Only one In-Service Withdrawal shall be permitted in any 12-month period.

(2) In-Service Withdrawals shall require suspension of Employer credits (but not credits of earnings or losses) under the Plan for a period of time varying with the percentage of the value of the Participant's Pre-2005 Account that is withdrawn, according to the following schedule:

Percentage	Suspension
Up to 33%	2 months
34 — 67%	4 months
68 — 100%	6 months

This suspension shall not affect a Participant's participation in the Basic Plan nor the basis for determining the Employer contributions or Participant Pre-tax Contributions under the Basic Plan.

6.3 **Distributions After Separation from Service.**

(a) Generally. If a Participant experiences a Separation from Service, the provisions of this Section 6.3 shall apply to the distribution of the Participant's Account. The Participant may elect to receive such benefits as either a lump sum or in equal annual installments over a period not to exceed 15 years. If no such election is made, payment shall be made as a lump sum.

(b) Pre-2005 Account.

(1) Form of Payment of Pre-2005 Account. The Pre-2005 Account payable under the Plan to a Participant or his or her spouse, Beneficiary, or legal representative shall be paid in the same form under which the Basic Plan benefit is payable to the Participant or his or her spouse, Beneficiary, or legal representative. The Participant's election under the Basic Plan of any optional form of payment of his or her Basic Plan benefit (with the valid consent of his or her surviving spouse where required under the Basic Plan) shall also be applicable to the payment of his or her Pre-2005 Account under the Plan.

(2) Timing of Payment of Pre-2005 Account. Payment of the Pre-2005 Account under the Plan to a Participant or his or her spouse, Beneficiary, or legal representative under the Plan shall commence on the same date as payment of the benefit to the Participant or his or her spouse, Beneficiary, or legal representative under the Basic Plan commences. Any election under the Basic Plan made by the Participant with respect to the commencement of payment of his or her benefit under the Basic Plan shall also be applicable with respect to the commencement of payment of his or her Pre-2005 Account under the Plan.

(3) Approval by Plan Administrator. Notwithstanding the provisions of paragraphs (i) and (ii) above, an election made by the Participant under the Basic Plan with respect to the form of payment of his or her Pre-2005 Account thereunder (with the valid consent of his or her surviving spouse where required under the Basic Plan), or the date for commencement of payment thereof, shall not be effective with respect to the form of payment or date for commencement of payment of his or her Pre-2005 Account under the Plan unless such election is expressly approved in

writing by the Plan Administrator. If the Plan Administrator shall not approve such election in writing, then the form of payment or date for commencement of payment of the Participant's Pre-2005 Account under the Plan shall be selected by the Plan Administrator at its sole discretion.

(c) Post-2004 Account.

(1) Form of Payment of Post-2004 Account. The Post-2004 Account shall be payable in a form elected by a Participant no later than December 31, 2005. Notwithstanding the preceding sentence, in the case of an Eligible Employee who becomes a Participant on or after January 1, 2005, the aforementioned election with respect to the form of payment of a Post-2004 Account shall be made at such time prescribed by the Plan Administrator, which shall end no later than December 31 st of the year preceding the Plan Year in which the Participant is first eligible to participate in the Plan. The form of payment shall be elected by the Participant at the time he makes the election described in the first or second sentence of this paragraph (ii) from among those forms of payment available at that time under the Basic Plan. If a timely payment election is not made by a Participant, payment shall be made in a lump sum.

(2) Timing of Payment of Post-2004 Account. Payment of a Post-2004 Account in accordance with this Section 6.3 shall commence within 45 days after the Participant's date of Separation from Service, or, if later, within such timeframe permitted under Code Section 409A, and guidance and regulations thereunder.

(3) Modifications to Time and Form of Payment. A Participant cannot change the time or form of payment of a Post-2004 Account under this Subsection 6.3(b) unless (A) such election does not take effect until at least 12 months after the date the election is made, (B) in the case of an election related to a payment not related to the Participant's Disability or death, the first payment with respect to which such new election is effective is deferred for a period of not less than five years from the date such payment would otherwise have been made, and (C) any election related to a payment based upon a specific time or pursuant to a fixed schedule may not be made less than 12 months prior to the date of the first scheduled payment.

(4) Time of Payment for Specified Employees. Notwithstanding any other provision of the Plan, in no event can a payment of a Post-2004 Account to a Participant who is a Specified Employee, at a time during which the Company's capital stock or capital stock of an Affiliate is publicly traded on an established securities market,

in the calendar year of his or her Separation from Service be made before the date that is six months after the date of the Participant's Separation from Service, unless such Separation from Service is due to death or Disability.

6.4 **Unforeseeable Emergency Distributions** .

(a) Pre-2005 Account . Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Plan Administrator may, in its sole discretion, make distributions from the Participant's Pre-2005 Account. The amount of such a distribution shall be limited to the amount reasonably necessary to meet the Participant's needs resulting from the Unforeseeable Emergency. Any distribution pursuant to this Subsection shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

(b) Post-2004 Account . Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Plan Administrator may, in its sole discretion, make distributions from the Participant's Post-2004 Account and/or suspend Employer credits entirely in accordance with the guidance under Code Section 409A. The amount of such distribution shall be limited to the amount necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Any distribution pursuant to this Subsection shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

6.5 **Automatic Cash-Out** . Notwithstanding any other provision in the Plan, if (1) the sum of the Participant's Pre-2005 Account and Post-2004 Account does not exceed the applicable dollar limit under code Section 402(g)(1)(B) and (2) this sum is the entirety of the Participant's interest in the Plan and all other arrangements that are considered a single nonqualified deferred compensation plan under Code Section 409A and applicable guidance thereunder, the Employer, in its sole discretion may distribute the Participant's entire Pre-2005 Account and Post-2004 Account (and the Participant's entire interest under any other arrangement that is required to be aggregated with this Plan under Code Section 409A), regardless whether the Participant has otherwise had a distributable event under this Plan. The form of payment of both the Pre-2005 Account and Post-2004 Account shall be a single lump sum.

6.6 **Special Payment Election by December 31, 2006, for Code Section 409A Transition Relief** . Notwithstanding any preceding provision of this Section 6.3(b), a Participant may change an election with respect to the time and form of payment of a Post-2004 Account, without regard to the restrictions imposed under paragraph (iii) next above, on or before

December 31, 2006; provided that such election (A) applies only to amounts that would not otherwise be payable in calendar year 2006, and (B) shall not cause an amount to be paid in calendar year 2006 that would not otherwise be payable in such year.

6.7 **Withholding for Taxes** . To the extent required by the law in effect at the time payments are made, an Employer shall withhold from the payments made hereunder any taxes required to be withheld by the federal or any state or local government, including any amounts wh the Employer determines is reasonably necessary to pay any generation-skipping transfer tax which is or may become due. A Beneficiary, however, may elect not to have withholding of federal income tax pursuant to Code Section 3405(a)(2).

6.8 **Payment to Guardian** . The Plan Administrator may direct payment to the duly appointed guardian, conservator or other similar legal representative of a Participant or Beneficiary to whom payment is due. In the absence of such a legal representative, the Plan Administrator may, in its sole and absolute discretion, make payment to a person having the care and custody of a minor, incompetent or person incapable of handling the disposition of property upon proof satisfactory to the Plan Administrator of incompetency, status as a minor, or incapacity. Such distribution shall completely discharge the Company from all liability with respect to such benefit.

ARTICLE VII.

BENEFICIARY DESIGNATION

7.1 **Beneficiary Designation** . Each Participant's Beneficiary (both primary as well as secondary) to whom benefits under the Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's Account, shall be the Beneficiary that the Participant has selected under the Basic Plan. A Participant may designate a Beneficiary or change a prior Beneficiary designation only by designating or changing a Beneficiary under the Basic Plan.

7.2 **No Beneficiary Designation** . If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person identified in accordance with the procedures under the Basic Plan.

ARTICLE VIII.

PLAN ADMINISTRATION

8.1 **Allocation of Duties to Committees** . The Plan shall be administered by the Benefits Committee, as delegated by the ONC Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations fo

administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the ONC Committee herein, or by resolution or charter of the respective committees.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

8.2 **Agents**. The Plan Administrator may, from time to time, employ agents and delegate to them such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

8.3 **Information Required by Plan Administrator.** The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

8.4 **Binding Effect of Decisions**. Subject to applicable law, and the provisions of Article VIII, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Benefits Committee and/or the ONC Committee (or any duly authorized delegate of either such committee) and made in good faith shall be binding on all persons.

ARTICLE IX.

CLAIMS PROCEDURE

9.1 **Claim**. Claims for benefits under the Plan shall be made in writing to the Plan Administrator. The Plan Administrator shall establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and verifying proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

9.2 **Review of Claim**. The Plan Administrator shall review all claims for benefits. Upon receipt by the Plan Administrator of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the

expiration of the initial 90 day period, the Plan Administrator determines additional time is needed to come to a determination on the claim, the Plan Administrator shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Plan Administrator fails to notify the claimant in writing of the denial of the claim within 90 days after the Plan Administrator receives it, the claim shall be deemed denied.

9.3 **Notice of Denial of Claim** . If the Plan Administrator wholly or partially denies a claim for benefits, the Plan Administrator shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as noted above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent Plan provisions upon which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim, together with an explanation of why such material or information is necessary; and

(d) an explanation of the Plan's review procedure.

9.4 **Reconsideration of Denied Claim** . Within 60 days of the receipt by the claimant of the written notice of denial of the claim, or within 60 days after the claim is deemed denied as set forth above, if applicable, the claimant or duly authorized representative may file a written request with the Benefits Committee that it conduct a full and fair review of the denial of the claimant's claim for benefits. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

The Benefits Committee shall render a decision on the claim appeal promptly, but not later than 60 days after receiving the claimant's request for review, unless, in the discretion of the Benefits Committee, special circumstances require an extension of time for processing, in which case the 60-day period may be extended to 120 days. The Benefits Committee shall notify the claimant in writing of any such extension. The notice of decision upon review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions upon which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days

after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

9.5 **Employer to Supply Information**. To enable the Benefits Committee to perform its functions, each Employer shall supply fully and promptly information to the Benefits Committee of all matters relating to the retirement, death, or other cause for Separation from Service of all Participants, and such other pertinent facts as the Benefits Committee may require.

ARTICLE X.

PLAN AMENDMENT AND TERMINATION

10.1 **Plan Amendment**. While the Company intends to maintain the Plan in conjunction with the Basic Plan, the Company or the ONC Committee reserves the right to amend the Plan at any time and from time to time with respect to eligibility for the Plan, the level of benefits awarded under the Plan and the time and form of payment for benefits from the Plan. The Benefits Committee, the ONC Committee, or the Board shall have the authority to amend the Plan as described herein. The ONC Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the ONC Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in Compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the ONC Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the ONC Committee or the Board.

The respective committee may at any time amend the Plan by written instrument, notice of which is given to all Participants and to Beneficiaries. Notwithstanding the preceding sentence, no amendment shall reduce the amount accrued in any Account prior to the date such notice of the amendment is given.

10.2 **Partial Plan Termination**. The ONC Committee or the Company at any time may partially terminate the Plan provided that such partial termination of the Plan shall not impair or alter any Participant's or Beneficiary's right to the applicable Participant's Account balance as of the effective date of such partial termination. If such a partial termination occurs, no additional Employer credits shall be made after the date of such partial termination other than the crediting of earnings (or losses) until the date of distribution of Participant Account balances. Further, the Plan shall otherwise continue to be administered with respect to Account balances credited before the effective date of such partial termination, and distribution shall be made at such times as specified under this Plan.

ARTICLE XI.

MISCELLANEOUS PROVISIONS

11.1 **Unfunded Plan**. The Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer shall be sufficient to pay any benefit hereunder.

11.2 **Company and Employer Obligations**. The obligation to make benefit payments to any Participant under the Plan shall be a joint and several liability of the Company and the Employer that employed the Participant.

11.3 **Unsecured General Creditor**. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Any life insurance policies, annuity contracts or other property purchased by the Employer in connection with the Plan shall remain its general, unpledged and unrestricted assets. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

11.4 **Trust Fund**. Subject to Section 12.3, the Company may establish separate subtrusts for deferrals by employees of each Employer, pursuant to a trust agreement entered into with such trustees as the Benefits Committee may approve, for the purpose of providing for the payment of benefits owed under the Plan. At its discretion, each Employer may contribute deferrals under the Plan for its employees to the subtrust established with respect to such Employer under such trust agreement. To the extent any benefits provided under the Plan are paid from any such subtrust, the Employer shall have no further obligation to pay them. If not paid from a subtrust, such benefits shall remain the obligation of the Employer. Although such subtrusts may be irrevocable, their assets shall be held for payment of all the Company's general creditors in the event of insolvency or bankruptcy.

11.5 **Nonalienation of Benefits**. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof or rights to, which are expressly declared to be unassignable and nontransferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Notwithstanding the preceding paragraph, the Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Retirement Committee shall

provide for payment in a lump sum from a Participant's Account to an alternate payee (as defined in Code Section 414(p)(8)) as soon as administratively practicable following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of an Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

Notwithstanding the preceding paragraph, the Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Plan Administrator shall provide for payment of such portion of an Account to an alternate payee (as defined in Section 206(d)(3) of ERISA) as soon as administratively possible following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of any Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

11.6 **Indemnification**.

(a) Limitation of Liability. Notwithstanding any other provision of the Plan or any trust established under the Plan, none of the Company, any other Employer, any member of the Benefits Committee or the ONC Committee, nor any individual acting as an employee, or agent or delegate of any of them, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan or any trust established under the Plan, except when the same shall have been judicially determined to be due to the willful misconduct of such person.

(b) Indemnity. The Company shall indemnify and hold harmless each member of the Benefits Committee and the ONC Committee, or any employee of the Company or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the Plan or any trust established under the Plan) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan or any trust established under the Plan, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. In connection with the indemnification provided by the preceding sentence, expenses incurred in defending a civil or criminal action, suit or proceeding, or incurred in connection with a civil or criminal investigation, may be paid by the

Company in advance of the final disposition of such action, suit, proceeding, or investigation, as authorized by the Benefits Committee or the ONC Committee in the specific case, upon receipt of an undertaking by or on behalf of the party to be indemnified to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Company pursuant to this paragraph.

11.7 **No Enlargement of Employee Rights**. No Participant or Beneficiary shall have any right to a benefit under the Plan except in accordance with the terms of the Plan. The Plan shall not constitute a contract of employment between an Employer and the Participant. Nothing in the Plan shall give any Participant or Beneficiary the right to be retained in the service of an Employer or to interfere with the right of an Employer to discipline or discharge a Participant at any time.

11.8 **Protective Provisions**. A Participant shall cooperate with his Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Employer may deem necessary and taking such other action as may be requested by the Employer.

11.9 **Governing Law**. The Plan shall be construed and administered under the laws of the State of Indiana, except to the extent preempted by applicable federal law.

11.10 **Validity**. In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

11.11 **Notice**. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Benefits Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in the applicable Employer's records.

11.12 **Successors**. The provisions of the Plan shall bind and inure to the benefit of the Employers and their successors and assigns. The term successors as used herein shall include any corporate or other business entity that shall, whether by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of an Employer, and successors of any such corporation or other business entity.

11.13 **Incapacity of Recipient**. If any person entitled to a benefit payment under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until a claim shall have been made by a duly appointed guardian or other legal representative of such person, the Plan Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company, any other Employer, the Plan Administrator and the Plan.

11.14 **Unclaimed Benefit**. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her Beneficiaries. The Plan Administrator shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrator within three years after the date on which payment of the Participant's benefit may first be made, payment may be made as though the Participant had died at the end of the three-year period. If, within one additional year after three-year period has elapsed or within three years after the actual death of a Participant, the Plan Administrator is unable to locate any eficiary of the Participant, then the Plan Administrator shall have no further obligation to pay any benefit hereunder to such Participant, Beneficiary, or any other person and such benefit shall be irrevocably forfeited.

11.15 **Tax Compliance and Payouts**.

(a) It is intended that the Plan comply with the provisions of Code Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or Beneficiaries. This Plan shall be construed, administered, and governed in a manner that affects such intent, and neither any Participant, Beneficiary, nor Plan Administrator shall not take any action that would be inconsistent with such intent.

(b) Although the Plan Administrator shall use its best efforts to avoid the imposition of taxation, interest and penalties under Code Section 409A, the tax treatment of deferrals under this Plan is not warranted or guaranteed. Neither the Company, the other Affiliates, the Plan Administrator, the Retirement Committee, nor any designee shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant, Beneficiary or other taxpayer as a result of the Plan.

(c) Notwithstanding anything to the contrary contained herein, (1) in the event that the Internal Revenue Service prevails in its claim that any amount of a Pre-2005 Account, payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income to a Participant or his or her Beneficiary for a taxable year prior to the taxable year in which such amount is distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such Pre-2005 Account held in the general assets of the Company or any other Employer, to the extent constituting taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

(d) Notwithstanding anything to the contrary contained herein, (1) in the event that the Internal Revenue Service prevails in its claim that any amount of a Post-2004 Account, payable pursuant to the Plan and held in the general assets of the Company or any other Employer, constitutes taxable income under Code Section 409A, and guidance and regulations thereunder, to a Participant or his or her Beneficiary for a taxable year prior to the taxable year in which such amount is distributed to him or her, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his or her Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the amount of such Post-2004 Account held in the general assets of the Company or any other Employer, to the extent constituting such taxable income, shall be immediately distributed to the Participant or his or her Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or if the Participant or Beneficiary, based upon an opinion of legal counsel satisfactory to the Company and the Participant or his or her Beneficiary, fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim, to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

11.16 **General Conditions**. Except as otherwise expressly provided herein, all terms and conditions of the Basic Plan applicable to a Basic Plan benefit shall also be applicable to a benefit payable hereunder. Any Basic Plan benefit shall be paid solely in accordance with the terms and conditions of the Basic Plan and nothing in the Plan shall operate or be construed in any way to modify, amend or affect the terms and provisions of the Basic Plan.

[signature block follows on next page]

IN WITNESS WHEREOF , NiSource Inc. has caused this amended and restated Savings and Restoration Plan for NiSource Inc. and Affiliates to be executed in its name, by its duly authorized officer, effective as of January 1, 2012.

NISOURCE INC.

By: /s/ Joel Hoelzer
Its: Vice President, HR
Date: 3/14/12

Exhibit 10.2

NISOURCE INC.

EXECUTIVE DEFERRED COMPENSATION PLAN

Amended and Restated Effective January 1, 2012

TABLE OF CONTENTS

NISOURCE INC.

EXECUTIVE DEFERRED COMPENSATION PLAN

ARTICLE I

BACKGROUND AND PURPOSE

1.1 **Background**. Effective November 1, 2000, the Bay State Gas Company Key Employee Deferred Compensation Plan (the "Bay State Plan") was merged into the NIPSCO Plan and the NIPSCO Plan was renamed the NiSource Inc. Executive Deferred Compensation Plan (the "Plan"). Effective January 1, 2004, the Columbia Energy Group Deferred Compensation Plan (the "Columbia Plan") was merged into the Plan. Effective January 1, 2005, the Plan was amended and restated to comply with Code Section 409A, and guidance and regulations thereunder. Deferred Compensation, Discretionary Contributions, and earnings thereon, earned and vested prior to January 1, 2005 shall be administered without giving effect to Code Section 409A, and guidance and regulations thereunder. Effective January 1, 2008, the Plan was amended and restated to incorporate the provisions of amendments to the Plan since the January 1, 2005, amendment and restatement and to allow participants to elect to participate in the Plan only during the applicable enrollment period or at such later date allowed under Code Section 409A for certain performance based bonuses. The Plan was amended and restated again effective as of May 13, 2011 to transfer all administrative authority with respect to the Plan (including the authority to render decisions on claims and appeals and make administrative or ministerial amendments) from the ONC Committee to the Benefits Committee.

The Plan is hereby amended and restated again, effective as of January 1, 2012, to (1) change eligibility to defer Compensation under the Plan; (2) limit the amount of annual incentive compensation that may be deferred under the Plan to 80% of such annual incentive compensation; and (3) clarify other administrative matters related to the Plan.

1.2 **Purpose**. The purpose of this Plan is to provide current tax planning opportunities as well as supplemental funds for retirement or death for selected employees of an Employer. It is intended that the Plan will aid in attracting and retaining employees of exceptional ability by providing them with these benefits.

ARTICLE II

DEFINITIONS

For the purposes of the Plan, the following terms shall have the meanings indicated, unless the context clearly indicates otherwise. Except as otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural. The headings of Articles and Sections are included solely for convenience, and if there is any conflict between such headings and the text of the Plan, the text shall control.

2.1 **Account**. The device used by an Employer to measure and determine the amount to be paid to a Participant under the Plan. Each Account shall be divided into a Pre-2005 Account containing contributions to the Plan earned and vested prior to January 1, 2005, a Post-2004 Account containing contributions to the Plan earned and/or vested on or after January 1, 2005, and, if applicable, a Transferred Bay State Account containing any amount transferred from the Bay State Plan or a Transferred Columbia Account containing any amount transferred from the Columbia Plan.

2.2 **Affiliate**. Any corporation that is a member of a controlled group of corporations (as defined in Code Section 414(b)) that includes the Company; any trade or business (whether or not incorporated) that is under common control (as defined in Code Section 414(c)) with the Company; any organization (whether or not incorporated) that is a member of an affiliated service group (as defined in Code Section 414(m)) that includes the Company; any leasing organization, to the extent that its employees are required to be treated as if they were employed by the Company pursuant to Code Section 414(n) and the regulations thereunder; and any other entity required to be aggregated with the Company pursuant to regulations under Code Section 414(o). An entity shall be an Affiliate only with respect to the existing period as described in the preceding sentence.

2.3 **Annual Deferral Amount**. The portion of a Participant's Compensation that a Participant elects to defer under this Plan for any one Plan Year.

2.4 **Beneficiary**. The person, persons or entity entitled to receive any Plan benefits payable after a Participant's death.

2.5 **Benefits Committee**. The NiSource Benefits Committee, or any delegate thereof.

2.6 **Board**. The Board of Directors of NiSource Inc.

2.7 **Code**. The Internal Revenue Code of 1986, as amended from time to time.

2.8 **Company**. NiSource Inc.

2.9 **Compensation**. Aggregate basic annual salary or wage and annual incentive awards paid to a Participant by his Employer. Compensation shall include the following: (1)

amounts deferred and excluded from the Participant's taxable income pursuant to Code Sections 125, 132(f)(4), 402(e)(3), or 402(h)(1)(B), and (2) amounts deferred to a nonqualified plan maintained by an Employer. Compensation earned on or after January 1, 2005 shall not include incentive payments other than annual incentive awards. Compensation does not include expense reimbursements, any form of noncash compensation, or benefits. Compensation does not include lump sum severance payments or lump sum vacation payouts.

2.10 **Discretionary Contribution**. The Employer contribution credited to a Participant's Account under Section 5.3.

2.11 **Effective Date** January 1, 2012, the date on which the provisions of this amended and restated Plan become effective, except as otherwise provided herein.

2.12 **Election Form**. The agreement properly submitted by a Participant to the Retirement Committee or Benefits Committee prior to the beginning of a Plan Year, with respect to a Deferral Commitment made for such Plan Year.

2.13 **Eligible Employee**. A select group of management or highly compensated employees of the Employer selected by the ONC Committee in accordance with this Plan.

2.14 **Employer**. The Company and any subsidiary or Affiliate of the Company designated by the ONC Committee to participate in the Plan.

2.15 **ONC Committee**. The Officer Nomination and Compensation Committee of the Board of Directors of the Company.

2.16 **Participant**. Any Eligible Employee who is participating in the Plan in accordance with its provisions.

2.17 **Plan**. The NiSource Inc. Executive Deferred Compensation Plan, as set forth herein and as amended from time to time.

2.18 **Plan Administrator**. The Benefits Committee, or such delegate of the Benefits Committee delegated to carry out the administrative functions of the Plan as provided under Article IX.

2.19 **Plan Year**. The 12-month period commencing each January 1 and ending the following December 31.

2.20 **Post-2004 Account**. The excess of (1) the total balance of the Participant's Account determined as of a Participant's date of Separation from Service after December 31, 2004 over (2) his Pre-2005 Account, to which the Participant would be entitled under the Plan if he voluntarily separated from service without cause as of such date and received a full payment of benefits from the Plan on the earliest possible date allowed under the Plan following his Separation from Service.

2.21 **Pre-2005 Account**. The balance of a Participant's Account determined as of December 31, 2004, adjusted to reflect earnings credited to such balance from and after such date.

2.22 **Retirement Committee**. A committee consisting of the Company's Senior Vice President of Human Resources and the Vice ident of Human Resources (in charge of Total Rewards), or such other offices as shall be deemed equivalent to such positions, or the gates thereof.

2.23 **Separation from Service**. A termination of services provided by a Participant to his or her Employer, whether voluntarily or involuntarily, as determined by the Benefits Committee in accordance with Code Section 409A and the guidance promulgated thereunder.

2.25 **Specified Employee**. A Participant who is in job scope level C2 or above with respect to any Employer that employs him or her; provided that if at any time the total number of employees in job category C2 and above is less than 50, a Specified Employee shall include any employee who meets the definition of "key employee" set forth in Code Section 416(i) (without reference to paragraph 5 of Code Section 416 (i)). A Participant shall be deemed to be a Specified Employee with respect to a Separation from Service that occurs during a calendar year if he or she is a Specified Employee on September 30 of the preceding calendar year. The Benefits Committee shall determine which Participants are Specified Employees in accordance with the guidance promulgated under Code Section 409A.

2.26 **Transferred Bay State Account**. The balance of a Participant's Account containing any amount transferred from the Bay State Plan. The Bay State Plan was merged into the Plan as of November 1, 2000. The balance of the account of each Bay State Plan participant, determined as of November 1, 2000, was transferred to the Plan and became the initial balance in such Participant's Transferred Bay State Account in the Plan. A Participant's Transferred Bay State Account shall be held, administered, invested, and distributed pursuant to the terms of the Plan.

2.27 **Transferred Columbia Account**. The balance of a Participant's Account containing any amount transferred from the Columbia Plan. The Columbia Plan was merged into the Plan as of January 1, 2004. The balance of the account of each Columbia Plan participant, determined as of December 31, 2003, was transferred to the Plan and became the initial balance in such Participant's Transferred Columbia Account in the Plan. A Participant's Transferred Columbia Account shall be held, administered, invested, and distributed pursuant to the terms of the Plan.

2.28 **Unforeseeable Emergency**. A severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Code Section 152(a)) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant.

2.29 **Valuation Date**. The close of business of each business day.

ARTICLE III

ELIGIBILITY AND PARTICIPATION

3.1 **Eligibility**. On and after January 1, 2012, eligibility to participate in the Plan for a Plan Year shall be limited to (1) an employee in job scope level C2 or above, (2) an employee in job scope level D2 or above who completed an Election Form in 2011 with respect to an Annual Deferral Amount related to services performed in the Plan Year beginning January 1, 2012; provided however, that such an employee will remain eligible to defer Compensation after the 2012 Plan Year only if he or she completes an Election Form in each successive Plan Year after 2012, and (3) any other key employee of an Employer who is designated from time to time by the ONC Committee.

3.2 **Participation**. An Eligible Employee shall become a Participant in the Plan by electing to defer Compensation in accordance with Article IV. An Eligible Employee also becomes a participant if the Employer credits the Participant's Account with a Discretionary Contribution.

3.3 **Continuation of Participation**. A Participant shall remain a Participant so long as his or her Account has not been fully distributed.

3.4 **Amendment of Eligibility Criteria**. The ONC Committee may, in its discretion, change the criteria for eligibility for any reason, provided, however, that no change in the criteria for eligibility shall be effective unless such changes are (a) within guidelines established by the ONC Committee or (b) approved by the ONC Committee. Eligibility for participation in one year does not guarantee eligibility to participate in any future year.

ARTICLE IV

DEFERRAL COMMITMENTS

4.1 **Timing of Deferral Elections**. An Eligible Employee may elect to defer Compensation for services performed in any Plan Year by submitting an Election Form to the Retirement Committee only during the annual enrollment period established by the Retirement Committee, which shall end no later than December 31st, of the year preceding such Plan Year. Thus, for any salary to be paid for services performed in a Plan Year, an election to defer such salary must be made no later than December 31, of the prior Plan Year. Further, an election to defer such annual incentive award must be made no later than December 31, of the prior Plan Year. To illustrate these provisions, an election to defer salary payable for services performed in 2013 must be made by December 31, 2012. Further, an election to defer annual incentive awards that are (1) not "performance-based compensation" as described under Code Section 409A, (2) earned for the 2013 calendar year, and (3) to be paid in March 2014, must be made by December 31, 2012.

4.2 **Amount of Deferral**. A Participant may elect an Annual Deferral Amount in the Election Form as follows:

(a) Base Salary Deferral Amount. The amount of Compensation related to base salary that a Participant may elect to defer in an Election Form shall be stated as a whole percentage of base Compensation from 5% to 80%; provided, however, that the Company may reduce the amount deferred to the extent necessary to satisfy federal, state, local, or other tax withholding obligations and employee benefit plan withholding requirements.

(b) Annual Incentive Deferral Amount. The amount of Compensation related to any annual incentive award that a Participant may elect to defer in an Election Form shall be stated as a whole percentage of the annual incentive award from 5% to 80%; provided, however, that the Company may reduce the amount deferred to the extent necessary to satisfy federal, state, local, or other tax withholding obligations and employee benefit plan withholding requirements.

No amount of Compensation may be deferred after the date of a Participant's Separation from Service.

4.3 **Distribution Options**. Each Election Form with respect to a Plan Year shall specify the date on which the applicable deferred amount and earnings thereon shall be distributed. Such date shall be the first to occur of (1) the date of the Participant's Separation from Service; or (2) a date selected by the Participant, provided that a selected date must be at least one year after the date the deferred amount would have been paid to the Participant in cash in the absence of the election to make the deferral, except as otherwise provided under Article VII.

4.4 **Duration of Election Form**. A Participant shall make an election in his Election Form as to the time and form of payment of the Annual Deferral Amount for each Plan Year. A Participant's Election Form for any Plan Year is effective only for such Plan Year. In order to defer Compensation for a subsequent Plan Year, an Eligible Employee must file a new Election Form with respect to such Compensation. A Participant shall not be required to designate the same time and form of payment for each Plan Year.

4.5 **Modification of Election Form**. Except as provided otherwise in this Plan, Election Forms shall be irrevocable.

4.6 **Change in Employment Status**. If the Plan Administrator determines that a Participant has experienced a change in job scope level or employment status that no longer is eligible for participation in the Plan, but the Participant's employment with an Employer is not terminated, the Participant's existing Election Form shall terminate at the end of the current Plan Year, and no new Election Form may be submitted by such Participant for any Plan Year.

ARTICLE V

ACCOUNTS

5.1 **Account**. The Compensation deferred by a Participant under the Plan, including any Discretionary Contributions and earnings thereon, shall be credited to the Participant's Account. Separate subaccounts may be maintained to reflect different forms of distribution, investment options, levels of vesting, and forms of payment. The Account shall be a bookkeeping device utilized for the sole purpose of determining the benefits payable under the Plan and shall not constitute a separate fund of assets.

5.2 **Timing of Credits; Withholding**. A Participant's deferred Compensation shall be credited to the Participant's Account at the time it would have been payable to the Participant. Any withholding of taxes or other amounts with respect to deferred Compensation that is required by federal, state or local law shall be withheld from the Participant's nondeferred Compensation to the maximum extent possible and any remaining amount shall reduce the amount credited to the Participant's Account.

5.3 **Discretionary Contributions**. An Employer may make Discretionary Contributions to a Participant's Account. Discretionary Contributions shall be credited at such times and in such amounts as the ONC Committee in its sole discretion shall determine. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive a Discretionary Contribution for that Plan Year.

5.4 **Determination of Account**. Each Participant's Account as of each Valuation Date shall consist of the balance of the Account as of the immediately preceding Valuation Date, adjusted as follows:

(a) New Deferrals. The Account shall be increased by any deferred Compensation credited since such preceding Valuation Date.

(b) Discretionary Contributions. The Account shall be increased by any Discretionary Contributions credited since such preceding Valuation Date.

(c) Distributions. The Account shall be reduced by any benefits distributed from the Account to the Participant since such preceding Valuation Date.

(d) Valuation of Account. The Account shall be increased or decreased by the aggregate earnings, gains and losses on such Account since such preceding Valuation Date, based on the manner in which the Participant's Account has been hypothetically allocated among the investment options selected by the Participant.

5.5 **Vesting of Account**. Each Participant shall be vested in the amounts credited to such Participant's Account and earnings thereon as follows:

(a) Amounts Deferred. A Participant shall be 100% vested at all times in the amount of Compensation elected to be deferred under the Plan, and earnings thereon.

(b) Discretionary Contributions. A Participant's Discretionary Contributions, and earnings thereon, shall become vested as determined by the ONC Committee.

(c) Transferred Account. A Participant shall be 100% vested at all times in the balance of his Transferred Bay State Account or Transferred Columbia Account, if any.

5.6 **Statement of Account**. The Retirement Committee shall give to each Participant a statement showing the balance in the Participant's Account periodically, at such times as may be determined by the Retirement Committee, in written or electronic form.

ARTICLE VI

INVESTMENTS

6.1 **Investment Options**. Amounts credited hereunder to the Account of a Participant shall be invested as such Participant elects among the investment choices provided to the Participant. The investment options shall be determined by the Plan Administrator from time to time in its sole and absolute discretion. As necessary, the Plan Administrator may, in its sole discretion, discontinue, substitute or add an investment option. Each such action will take effect on such date established by the Plan Administrator.

6.2 **Special Investment Option for Former Participants in the Bay State Plan and Participants in the Plan**. Former participants in the Bay State Plan who became Participants in the Plan, or Participants in the Plan on November 1, 2000, shall have an additional special investment option applicable solely to their Transferred Bay State Account balances, or their Account balances in the Plan, valued as of November 1, 2000, and any subsequent amounts contributed to such Participant's Account. Such Participants may invest their Transferred Bay State Account balances, or their Account balances in the Plan as of November 1, 2000, and any subsequent amounts contributed to such Participant's Account, in a subaccount which shall be credited with earnings equal to one percentage point higher than the effective annual yield of the average of the Moody's Average Corporate Bond Yield Index for the previous calendar month as published by Moody's Investor Services, Inc. (or any successor publisher thereto), or, if such index is no longer published, a substantially similar index selected by the Plan Administrator. A Participant's Transferred Bay State Account balance, or his Account balance in the Plan on November 1, 2000, shall be invested pursuant to this special investment option from and after November 1, 2000, and until such time as another investment choice is designated by him under this Plan with respect to all or a portion of his Transferred Bay State Account, or his Account balance in the Plan on November 1, 2000. Subsequent amounts contributed to any such Participant's Account may be invested pursuant to this option as designated by the Participant pursuant to this Plan. However, any portion of a Transferred Bay State Account, or an Account balance in the Plan, subsequently transferred from the investment option described in this Section to another investment option may not be reinvested under this option.

6.3 **Special Investment Option for Former Participants in the Columbia Plan**. Former participants in the Columbia Plan who become Participants in the Plan on January 1, 2004 shall have an additional special investment option applicable solely to their Transferred Columbia Account balances, valued as of January 1, 2004. Such Participants may invest all or any portion of their Transferred Columbia Account balances in a subaccount that shall be credited with earnings equal to the prime rate of interest, as listed in The Wall Street Journal. All or the designated portion of a Participant's Transferred Columbia Account balance shall be invested pursuant to this special investment option from and after January 1, 2004, and until such time as another investment choice is designated by him pursuant to this Plan with respect to all or a portion of his Transferred Columbia Account. Any portion of a Transferred Columbia Account subsequently transferred from the investment option described in this Section to another investment option may not be reinvested under the investment option described in this Section. Amounts contributed to any such Participant's Account on or after January 1, 2004 shall not be eligible for the investment option described in this Section.

6.4 **Election of Investment Options**. A Participant, in connection with completing his or her Election Form, shall elect one or more of the previously described investment options, as applicable, to be used to determine the amounts to be credited or debited to his or her Account. No Election Form of a Participant shall be effective until such time as the Participant submits his initial investment election to the Company. The Participant may (but is not required to) elect to add or delete one or more investment options to be used to determine the amounts to be credited or debited to his or her Account, or to change the portion of his or her Account allocated to each previously or newly elected investment option. If an election is made in accordance with the previous sentence, it shall apply as of the first business day deemed reasonably practicable by the Plan Administrator, in its sole discretion, and shall continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence. Notwithstanding the foregoing, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which one or more of the investment options elected in accordance with this Section may be added or deleted by such Participant; furthermore, the Plan Administrator, in its sole discretion, may impose limitations on the frequency with which the Participant may change the portion of his or her Account allocated to each previously or newly elected investment option.

6.5 **Allocation of Investment Options**. In making any election related to investment options, the Participant shall specify, in increments specified by the Plan Administrator, the percentage of his or her Account or investment option, as applicable, to be allocated or reallocated.

6.6 **No Actual Investment**. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the investment options are to be used for measurement purposes only, and a Participant's election of any such investment option, the allocation of his or her Account thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account shall not be considered or construed in any manner as an actual investment of his or her Account in any such investment option. In the event that the Company, in its own discretion, decides to invest funds in any or all of the investments on which the investment options are based, no Participant shall have any rights in or to such investments themselves. Without limiting the foregoing, a Participant's Account shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company; the Participant shall at all times remain an unsecured creditor of the Company.

ARTICLE VII

PAYMENTS AND DISTRIBUTIONS

7.1 **Distributions/Events Generally**. Participants generally will not be entitled to receive a distribution of their Account balance until experience a Separation from Service for any reason. A Participant may receive a distribution before Separation from Service, however, in ordance with this Article VII, upon (1) an Unforeseeable Emergency that occurs before Separation from Service, or (2) a year that has been designated by the Participant in an Election Form and that occurs before Separation from Service.

7.2 **In-Service Distributions.**

(a) General Payments. A Participant may elect in his or her Election Form to receive his or her Compensation deferred for a Plan Year, and all amounts credited or debited thereto, in a specified year while employed with an Employer. The Participant, in an Election Form, may elect to receive such an in-service distribution as either a lump sum or equal annual installments over a period of not more than 15 years. If a Participant does not make such an election, the payment shall be made in a lump sum.

If a Participant elects to receive an in-service distribution as a lump sum, the amount of the lump sum payment will be based on the value of the Participant's account as of March 15 of the designated year. The distribution date generally shall be on or as soon as administratively practicable after the March 31 st of such year, or, if later, within such time frame permitted under Code Section 409A and the guidance and regulations thereunder.

If a Participant elects to receive installments, the amount of each installment payment will be based on the value of the participant's account as of the March 15 preceding the distribution of each installment payment. The distribution date generally shall be each subsequent March 31, or if later, within such time frame permitted under Code Section 409A, and the guidance and regulations thereunder.

(b) Modifying In-Service Distributions.

(1) Pre-2005 Account. Notwithstanding any other provision of the Plan, a Participant may modify his election as to the form or time of distribution of his entire Pre-2005 Account, and earnings thereon, by a writing filed with the Retirement Committee at any time prior to the commencement of payment. A Participant's modification of his election as to the form or time of commencement of payment shall be ineffective, unless (1) the modification election is filed with the Retirement Committee more than 12 months prior to the time of commencement of payment, or (2) a

Participant elects by written instrument delivered to the Company prior to the time of commencement of payment to have his Pre-2005 Account reduced by 10%. This reduction shall be forfeited and used by the Plan to reduce expenses of administration. This reduction is intended to discourage a Participant from modifying his election as to the form or time of commencement of payment within the period set forth in clause (1) above and prevent him from being deemed in constructive receipt of his Pre-2005 Account prior to its actual payment to him.

(2) Post-2004 Account. The Company, in its discretion, may allow a Participant to modify his election as to the form or time of distribution of his entire Post-2004 Account, and earnings thereon, or of any portion of his or her Post-2004 Account and earnings thereon, if (1) such election does not take effect until at least 12 months after the date on which the election is made, (2) the first payment with respect to which such election is made is deferred for a period of not less than five (5) years from the date on which such payment would otherwise have been made, and (3) any election related to a payment to be made at a specified date is made at least 12 months prior to the date of the first scheduled payment. For purposes of the Plan, the term "payment" means each separate installment and not the collective group of installment payments.

(3) Precedence of Distributions. With respect to both Pre-2005 Accounts and Post-2004 Accounts in the event a Participant has a Separation from Service, Unforeseable Emergency, or other event that triggers distribution of benefits under Article VII of this Plan, all amounts subject to an in-service distribution shall be paid in accordance with other applicable provisions of the Plan and not under this Section 7.2. If, however, a Participant made an election to postpone an in-service distribution under Section 7.2(b), and the Participant experiences a Separation from Service, the distribution will be made in accordance with Section 7.2(b) and not Section 7.3.

7.3 **Distributions After Separation from Service**.

(a) Generally. If a Participant experiences a Separation from Service, the provisions of this Section 7.3 shall apply to the distribution of the Participant's Account. The Participant may elect, in his or her Election Form to receive such benefits as either a lump sum or in equal annual installments over a period not to exceed 15 years. If no such election is made, payment shall be made as a lump sum.

(b) Pre-2005 Account.

(1) Lump Sum. If payment of a Participant's Pre-2005 Account is to be made in a lump sum, the lump sum payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant experiences a Separation from Service.

(2) Installments. If payment of a Participant's Pre-2005 Account is to be made in annual installments, the distribution of the first annual installment payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant experiences a Separation from Service. The amount of this first installment payment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of this installment payment. Each subsequent installment payment generally shall be paid on or as soon as administratively practicable after each subsequent March 31. The amount of each such installment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of such installment.

(3) Modifications to Time and Form of Payment. Notwithstanding any other provision of the Plan, a Participant may modify his election as to the form or time of distribution of his entire Pre-2005 Account, and earnings thereon, by a writing filed with the Retirement Committee at any time prior to the commencement of payment. A Participant's modification of his election as to the form or time of commencement of payment shall be ineffective, unless (1) the modification election is filed with the Retirement Committee more than 12 months prior to the time of commencement of payment, or (2) a Participant elects by written instrument delivered to the Company prior to the time of commencement of payment to have his Pre-2005 Account reduced by 10%. To clarify how these provisions operate with respect to a Participant who originally elected to commence distribution upon Separation from Service, such a Participant may elect to be paid on or as soon as administratively practicable after one of the following permitted times: (a) the March 31 st immediately after the one-year anniversary date of the request to modify the election (regardless of whether the Participant experiences a Separation from Service before such date), or (b) the March 31 st immediately after the date of the modified election, provided however, that under this option the Participant's Pre-2005 Account shall be reduced by 10%. This reduction shall be forfeited and used by the Plan to reduce expenses of administration. This reduction is intended to discourage a Participant from modifying his election as to the form or time of commencement of payment within the period set forth in clause (1) above and prevent him from being deemed in constructive receipt of his Pre-2005 Account prior to its actual payment to him.

(c) Post-2004 Account.

(1) Lump Sum.

(i) Non-Specified Employees. If payment of a Participant's Post-2004 Account is to be made to the Participant in a lump sum, and the Participant is not a Specified Employee of any Employer, the

lump sum payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant experiences a Separation from Service.

(ii) Specified Employees. If payment of a Participant's Post-2004 Account is to be made to the Participant in a lump sum, and the Participant is a Specified Employee of any Employer, the lump sum payment generally shall be made on or as soon as administratively practicable after the later of (1) the March 31 st immediately after the date in which the Participant experiences a Separation from Service, or (2) the date that is six (6) months after the date in which the Participant experiences a Separation from Service, unless due to such Participant's death, in which case payment generally shall be made to the Beneficiary as soon as practicable after the date of the Participant's death.

(2) Installments.

(i) Non-Specified Employees. If payment of a Participant's Post- 2004 Account is to be made to the Participant in annual installments, the distribution of the first annual installment payment generally shall be made on or as soon as administratively practicable after the March 31 st immediately after the date in which the Participant experiences a Separation from Service. The amount of this first installment payment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of this installment payment. Each subsequent installment payment generally shall be paid on or as soon as administratively practicable after each subsequent March 31. The amount of each such installment shall be based on the value of the Participant's account as of the March 15 preceding the distribution date of such installment.

(ii) Specified Employees. If payment of a Participant's Post-2004 Account is to be made to the Participant in annual installments, and the Participant is a Specified Employee of any Employer, the distribution of the first annual installment payment generally shall be made on or as soon as administratively practicable after the later of (1) the March 31 st immediately after the date in which the Participant experiences a Separation from Service, or (2) the date that is six (6) months after the date in which the Participant experiences a Separation from Service, unless due to such Participant's death, in which case such installment payment generally shall be made to the Beneficiary as soon as practicable

after the date of the Participant's death. The amount of this first installment payment shall be based on the value of the Participant's Account as of the March 15 preceding the distribution date of this installment payment. Each subsequent installment payment generally shall be paid on or as soon as administratively practicable after each subsequent March 31. The amount of each such installment shall be based on the value of the Participant's account as of the March 15 preceding the distribution date of such installment.

(3) Modifications to Time and Form of Payment. The Company, in its discretion, may allow a Participant to modify his election as to the form or time of distribution of his entire Post-2004 Account, and earnings thereon, or of any portion of his or her Post-2004 Account and earnings thereon, if (1) such election does not take effect until at least 12 months after the date on which the election is made, (2) the first payment with respect to which such election is made is deferred for a period of not less than five (5) years from the date on which such payment would otherwise have been made, and (3) any election related to a payment to be made at a specified date is made at least 12 months prior to the date of the first scheduled payment. For purposes of the Plan, the term "payment" means each separate installment and not the collective group of installment payments.

7.4 **Unforeseeable Emergency/Hardship Distributions**.

(a) Pre-2005 Account. Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Retirement Committee may, in its sole discretion, make distributions from the Participant's Pre-2005 Account (including his Transferred Bay State Account or Transferred Columbia Account, if applicable). The amount of such a distribution shall be limited to the amount reasonably necessary to meet the Participant's needs resulting from the Unforeseeable Emergency. Any distribution pursuant to this Subsection shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

(b) Post-2004 Account. Upon a finding that a Participant has suffered an Unforeseeable Emergency, the Retirement Committee may, in its sole discretion, make distributions from the Participant's Post-2004 Account and/or allow a Participant to suspend his Annual Deferral Amount entirely in accordance with the guidance under Code Section 409A. The amount of such distribution shall be limited to the amount necessary to satisfy such Unforeseeable Emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by

liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Any distribution pursuant to this Section 7.4(b) shall be payable in a lump sum. The distribution shall be paid within 30 days after the determination of an Unforeseeable Emergency.

7.5 **Distribution Provisions Applicable to a Transferred Bay State Account**. Notwithstanding any other provision in the Plan, the following provisions shall apply to the form and time of payment of the balance of a Transferred Bay State Account:

(a) General Payment Rules. The portion of a Transferred Bay State Account not paid pursuant to Section 7.2 shall be paid to a Participant following his separation from service, or to his Beneficiary in the case of death, in the form selected by the Participant, by written instrument delivered to the Retirement Committee before November 1, 2000. If no form is selected by the Participant, payment shall be made in a lump sum. The provisions of Section 7.2(b) shall apply with respect to the election of the form of payment of a Transferred Bay State Account and the modification of such election.

(b) Modifications to General Payment Rules. Any former employee of Bay State Gas Company who (1) was a participant in the Bay State Plan immediately prior to November 1, 2000, (2) terminated employment with Bay State Gas Company prior to November 1, 2000, for any reason other than Retirement, death or Disability (as such terms were defined in the Bay State Plan immediately prior to November 1, 2000), and (3) as of November 1, 2000, had not commenced payment of his Account shall not commence payment of his Transferred Bay State Account until the earlier of the Participant's attainment of age 65, Disability or death. Notwithstanding the preceding sentence, the Retirement Committee may, in its sole discretion, vary the manner and time of making the payment of a Participant's Transferred Bay State Account to such former Bay State employee, and may make such distributions over a longer or shorter period of time or in a lump sum.

7.6 **Automatic Cash-Out**. In the event a Participant's Account balance at the time distribution begins, or following a distribution of an installment payment is $15,000 or less, that balance shall be paid to the Participant or his Beneficiary in a lump sum on the next annual installment distribution date notwithstanding any form of benefit payment elected by the Participant.

7.7 **Withholding for Taxes**. To the extent required by the law in effect at the time payments are made, an Employer shall withhold from the payments made hereunder any taxes required to be withheld by the federal or any state or local government, including any amounts which the Employer determines is reasonably necessary to pay any generation-skipping transfer tax which is or may become due. A Beneficiary, however, may elect not to have withholding of federal income tax pursuant to Code Section 3405(a)(2).

7.8 **Payment to Guardian** . The Retirement Committee may direct payment to the duly appointed guardian, conservator or other similar legal representative of a Participant or Beneficiary to whom payment is due. In the absence of such a legal representative, the Retirement Committee may, in its sole and absolute discretion, make payment to a person having the care and custody of a minor, incompetent or person incapable of handling the disposition of property upon proof satisfactory to the Retirement Committee of incompetency, status as a minor, or capacity. Such distribution shall completely discharge the Company from all liability with respect to such benefit.

ARTICLE VIII

BENEFICIARY DESIGNATION

8.1 **Beneficiary Designation** . Subject to Section 8.3, each Participant shall have the right, at any time, to designate one or more persons or an entity as Beneficiary (both primary as well as secondary) to whom benefits under the Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's Account. Each Beneficiary designation shall be in a written form prescribed by the Retirement Committee and shall be effective only when filed with the Retirement Committee during the Participant's lifetime.

8.2 **Changing Beneficiary** . Subject to Section 8.3, any Beneficiary designation may be changed by a Participant without the consent of the previously named Beneficiary by the filing of a new designation with the Retirement Committee. The filing of a new designation shall cancel all designations previously filed.

8.3 **Community Property** . If the Participant resides in a community property state, the following rules shall apply:

(a) Designation by a married Participant of a Beneficiary other than the Participant's spouse shall not be effective unless the spouse executes a written consent that acknowledges the effect of the designation, or it is established that the consent cannot be obtained because the spouse cannot be located.

(b) A married Participant's Beneficiary designation may be changed by a Participant with the consent of the Participant's spouse as provided for in Section 8.3(a) by the filing of a new designation with the Retirement Committee.

(c) If the Participant's marital status changes after the Participant has designated a Beneficiary, the following shall apply:

(1) If the Participant is married at the time of death but was unmarried when the designation was made, the designation shall be void unless the spouse has consented to it in the manner prescribed in Section 8.3(a).

(2) If the Participant is unmarried at the time of death but was married when the designation was made:

(i) The designation shall be void if the spouse was named as Beneficiary, unless the designation is reaffirmed when the Participant is unmarried.

(ii) The designation shall remain valid if a nonspouse Beneficiary was named.

(3) If the Participant was married when the designation was made and is married to a different spouse at death, the designation shall be void unless the new spouse has consented to it in the manner prescribed above.

8.4 **No Beneficiary Designation**. If any Participant fails to designate a Beneficiary in the manner provided above, if the designation is void or if the Beneficiary designated by a deceased Participant dies before the Participant or before complete distribution of the Participant's benefits, the Participant's Beneficiary shall be the person in the first of the following classes in which there is a survivor:

(a) The Participant's spouse;

(b) The Participant's children in equal shares, except that if any of the children predeceases the Participant but leaves issue surviving, then such issue shall take, by right of representation, the share the parent would have taken if living;

(c) The Participant's estate.

ARTICLE IX

PLAN ADMINISTRATION

9.1 **Allocation of Duties to Committees**. The Plan shall be administered by the Benefits Committee, as delegated by the ONC Committee. The Benefits Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of the Plan and decide or resolve any and all questions, including interpretations of the Plan, as may arise in such administration, except as otherwise reserved to the ONC Committee herein, or by resolution or charter of the respective committees. Members of the Retirement Committee or Benefits Committee may be Participants under the Plan.

In its discretion, the Plan Administrator may delegate to any division or department of the Company the discretionary authority to make decisions regarding Plan administration, within limits and guidelines from time to time established by the Plan Administrator. The delegated discretionary authority shall be exercised by such division or department's senior officer, or his/her delegate. Within the scope of the delegated discretionary authority, such officer or person shall act in the place of the Plan Administrator and his/her decisions shall be treated as decisions of the Plan Administrator.

Specifically, the Plan Administrator hereby delegates certain of its discretionary authority with respect to the Plan to the Retirement Committee. Pursuant to the foregoing sentence, the

delegation by the Plan Administrator to the Retirement Committee includes, but shall not be limited to, the ability to solicit and receive deferral elections, establish enrollment periods, distribute account statements, receive distribution elections and any permitted modifications thereto, make distributions, and determine claims under the Plan.

9.2 **Agents**. The Retirement Committee, Benefits Committee or ONC Committee may, from time to time, employ agents and delegate to such administrative duties as it sees fit, and may from time to time consult with counsel who may be counsel to the Company.

9.3 **Information Required by Plan Administrator**. The Company shall furnish the Plan Administrator with such data and information as the Plan Administrator may deem necessary or desirable in order to administer the Plan. The records of the Company as to an employee's or Participant's period or periods of employment, Separation from Service and the reason therefore, reemployment and Compensation will be conclusive on all persons unless determined to the Plan Administrator's satisfaction to be incorrect. Participants and other persons entitled to benefits under the Plan also shall furnish the Plan Administrator with such evidence, data or information as the Plan Administrator considers necessary or desirable to administer the Plan.

9.4 **Binding Effect of Decisions**. The decision or action of the Retirement Committee, Benefits Committee and/or the ONC Committee (or any duly authorized delegate of any such committee) with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan.

9.5 **Section 16 Compliance**.

(a) In General. This Plan is intended to be a formula plan for purposes of Section 16 of the Securities Exchange Act (the "Act"). Accordingly, in the case of a deferral or other action under the Plan that constitutes a transaction that could be covered by Rule 16b-3(d) or (e), if it were approved by the ONC Committee ("Board Approval"), it is intended that the Plan shall be administered by delegates of the Board, in the case of a Participant who is subject to Section 16 of the Act, in a manner that will permit the Board Approval of the Plan to avoid any additional Board Approval of specific transactions to the maximum possible extent.

(b) Approval of Distributions: This Subsection shall govern the distribution of a deferral that (i) is being distributed to a Participant in cash, (ii) is made to a Participant who is subject to Section 16 of the Act at the time the interest in phantom Company Common Stock, if any, would be liquidated in connection with the distribution, and (iii) if paid at the time the distribution would be made without regard to this subsection, could result in a violation of Section 16 of the Act because there is an opposite way transaction that would be matched with the liquidation of the Participant's interest in phantom Company Common Stock (either as a "discretionary transaction," within the meaning of Rule 16b-3(b)(l), or as a regular transaction, as applicable) ("Covered Distribution"). In the case of

a Covered Distribution, if the liquidation of the Participant's interest in the phantom Company Common Stock in connection with the distribution has not received Board Approval by the time the distribution would be made if it were not a Covered Distribution, or if it is a discretionary transaction, then the actual distribution to the Participant shall be delayed only until the earlier of:

(1) In the case of a transaction that is not a discretionary transaction, Board Approval of the liquidation of the Participant's interest in the phantom Company Common Stock in connection with the distribution, or

(2) The date the distribution would no longer violate Section 16 of the Act, e.g., when the Participant is no longer subject to Section 16 of the Act, or when the time between the liquidation and an opposite way transaction is sufficient.

ARTICLE X
CLAIMS PROCEDURE

10.1 **Claim**. Claims for benefits under the Plan shall be made in writing to the Retirement Committee. The Retirement Committee shall establish rules and procedures to be followed by Participants and Beneficiaries in filing claims for benefits, and for furnishing and verifying proof necessary to establish the right to benefits in accordance with the Plan, consistent with the remainder of this Article.

10.2 **Review of Claim**. The Retirement Committee shall review all claims for benefits. Upon receipt by the Retirement Committee of such a claim, it shall determine all facts that are necessary to establish the right of the claimant to benefits under the provisions of the Plan and the amount thereof as herein provided within 90 days of receipt of such claim. If prior to the expiration of the initial 90 day period, the Retirement Committee determines additional time is needed to come to a determination on the claim, the Retirement Committee shall provide written notice to the Participant, Beneficiary or other claimant of the need for the extension, not to exceed a total of 180 days from the date the application was received. If the Retirement Committee fails to notify the claimant in writing of the denial of the claim within 90 days after the Retirement Committee receives it, the claim shall be deemed denied.

10.3 **Notice of Denial of Claim**. If the Retirement Committee wholly or partially denies a claim for benefits, the Retirement Committee shall, within a reasonable period of time, but no later than 90 days after receiving the claim (unless extended as provided above), notify the claimant in writing of the denial of the claim. Such notification shall be written in a manner reasonably expected to be understood by such claimant and shall in all respects comply with the requirements of ERISA, including but not limited to inclusion of the following:

(a) the specific reason or reasons for denial of the claim;

(b) a specific reference to the pertinent sections of the Plan on which the denial is based;

(c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and, where appropriate,

(d) an explanation of the Plan's review procedures.

10.4 **Reconsideration of Denied Claim**. Within 60 days after receipt of the notice of the denial of a claim or within 60 days after the claim is deemed denied as set forth above, if applicable, such claimant or duly authorized representative may request, by mailing or delivery of such written notice to the Benefits Committee, a reconsideration by the Benefits Committee of the decision denying the claim. If the claimant or duly authorized representative fails to request such a reconsideration within such 60 day period, it shall be conclusively determined for all purposes of the Plan that the denial of such claim by the Benefits Committee is correct. In connection with the claimant's appeal of the denial of his or her benefit, the claimant may review pertinent documents and may submit issues and comments in writing.

After such reconsideration request, the Benefits Committee shall determine within 60 days of receipt of the claimant's request for reconsideration whether such denial of the claim was correct and shall notify such claimant in writing of its determination. In the event of special circumstances determined by the Benefits Committee, the time for the Benefits Committee to make a decision may be extended by an additional 60 days upon written notice to the claimant prior to the commencement of the extension. The notice of decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based. If the decision on review is not furnished within the time period set forth above, the claim shall be deemed denied on review.

If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to such claimant, it shall be binding and conclusive unless the claimant or his duly authorized representative notifies the Benefits Committee within 90 days after the mailing or delivery to the claimant by the Benefits Committee of its determination that claimant intends to institute legal proceedings challenging the determination of the Benefits Committee and actually institutes such legal proceedings within 180 days after such mailing or delivery.

10.5 **Employer to Supply Information**. To enable the Retirement Committee or the Benefits Committee to perform its functions, each Employer shall supply full and timely information to the respective committee of all matters relating to the retirement, death or other cause for Separation from Service of all Participants, and such other pertinent facts as the respective committee may require.

ARTICLE XI

AMENDMENT AND TERMINATION OF PLAN

11.1 **Plan Amendment**. The Benefits Committee, the ONC Committee or the Board shall have the authority to amend the Plan. The ONC Committee or the Board shall have the exclusive authority to amend the Plan regarding eligibility for the Plan, the amount or level of benefits awarded under the Plan, and the time and form of payments for benefits from the Plan. In addition, the ONC Committee or the Board shall also have the exclusive authority to make amendments that constitute a material increase in compensation, any change requiring action or consent by a committee of the Board pursuant to the rules of the Securities and Exchange Commission, the New York Stock Exchange or other applicable law, or such other material changes to the Plan such that approval of the Board is required. Unless otherwise determined by the ONC Committee, the Benefits Committee shall have the authority to amend the Plan in all respects that are not exclusively reserved to the ONC Committee or the Board.

The respective committee may at any time amend the Plan by written instrument, notice of which is given to all Participants, and to Beneficiaries. Notwithstanding the preceding sentence, no amendment shall reduce the amount accrued in any Account prior to the date such notice of the amendment is given.

11.2 **Plan Termination**. The ONC Committee or the Company at any time may partially or completely terminate the Plan if, in its judgment, the tax, accounting or other effects of the continuance of the Plan, or potential payments thereunder, would not be in the best interests of the Employers.

(a) Partial Termination. The ONC Committee may partially terminate the Plan by instructing the Retirement Committee not to accept any additional Annual Deferral Amounts. If such a partial termination occurs, the Plan shall otherwise continue to be administered with respect to Account balances credited before the effective date of such partial termination, and distribution shall be made at such times as specified under this Plan.

(b) Complete Termination. The ONC Committee may completely terminate the Plan by instructing the Retirement Committee not to accept any additional Annual Deferral Amounts, and by terminating all ongoing Annual Deferral Amounts. If such a complete termination occurs, the Plan shall cease to operate and the Employers shall pay out each Pre-2005 Account in equal monthly installments over the following period, based on the Pre-2005 Account balance:

Account Balance	Payout Period
Less than $50,000	Lump Sum
$50,000 but less than $100,000	3 Years
More than $100,000	5 Years

Payments shall commence within 65 days after the ONC Committee terminates the Plan, and earnings shall continue to be credited on the unpaid Account balance. Employers shall pay out each Post-2004 Account in a manner consistent with Treasury Regulation Section 1.409A-3(j)(4)(ix) or any successor guidance under Code Section 409A.

ARTICLE XII

MISCELLANEOUS

12.1 **Unfunded Plan**. The Plan is an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly-compensated employees" within the meaning of Sections 201, 301 and 401 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and therefore is exempt from the provisions of Parts 2, 3 and 4 of Title I of ERISA. Nothing contained in the Plan shall constitute a guaranty by the Company or any other Employer or any other entity or person that the assets of the Company or any other Employer shall be sufficient to pay any benefit hereunder.

12.2 **Company and Employer Obligations**. The obligation to make benefit payments to any Participant under the Plan shall be a joint and several liability of the Company and the Employer that employed the Participant.

12.3 **Unsecured General Creditor**. Participants and Beneficiaries shall be unsecured general creditors, with no secured or preferential right to any assets of the Company, any other Employer, or any other party for payment of benefits under the Plan. Any life insurance policies, annuity contracts or other property purchased by the Employer in connection with the Plan shall remain its general, unpledged and unrestricted assets. Obligations of the Company and each other Employer under the Plan shall be an unfunded and unsecured promise to pay money in the future.

12.4 **Trust Fund**. Subject to Section 12.3, the Company may establish separate subtrusts for deferrals by employees of each Employer, pursuant to a trust agreement entered into with such trustees as the Benefits Committee may approve, for the purpose of providing for the payment of benefits owed under the Plan. At its discretion, each Employer may contribute deferrals under the Plan for its employees to the subtrust established with respect to such Employer under such trust agreement. To the extent any benefits provided under the Plan are paid from any such subtrust, the Employer shall have no further obligation to pay them. If not paid from a subtrust, such benefits shall remain the obligation of the Employer. Although such subtrusts may be irrevocable, their assets shall be held for payment of all the Company's general creditors in the event of insolvency or bankruptcy.

12.5 **Nonalienation/Nonassignability**. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage, or otherwise encumber, transfer, hypothecate, or convey in advance of actual receipt the amounts, if any, payable under, or any part thereof or rights to, which are expressly declared to be unassignable and nontransferable. No part of the amounts payable , prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony, or separate maintenance d by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Notwithstanding the preceding paragraph, the Account of any Participant shall be subject to and payable in the amount determined in accordance with any qualified domestic relations order, as that term is defined in Section 206(d)(3) of ERISA. The Retirement Committee shall provide for payment in a lump sum from a Participant's Account to an alternate payee (as defined in Code Section 414(p)(8)) as soon as administratively practicable following receipt of such order. Any federal, state or local income tax associated with such payment shall be the responsibility of the alternate payee. The balance of an Account that is subject to any qualified domestic relations order shall be reduced by the amount of any payment made pursuant to such order.

12.6 **Indemnification**.

(a) Limitation of Liability. Notwithstanding any other provision of the Plan or any trust established under the Plan, none of the Company, any other Employer, any member of the Retirement Committee, the Benefits Committee or the ONC Committee, nor an individual acting as an employee or agent or delegate of any of them, shall be liable to any Participant, former Participant, Beneficiary, or any other person for any claim, loss, liability or expense incurred in connection with the Plan or any trust established under the Plan, except when the same shall have been judicially determined to be due to the willful misconduct of such person.

(b) Indemnity. The Company shall indemnify and hold harmless each member of the Retirement Committee, the Benefits Committee and the ONC Committee, or any employee of the Company or any individual acting as an employee or agent of either of them (to the extent not indemnified or saved harmless under any liability insurance or any other indemnification arrangement with respect to the Plan or any trust established under the Plan) from any and all claims, losses, liabilities, costs and expenses (including attorneys' fees) arising out of any actual or alleged act or failure to act made in good faith pursuant to the provisions of the Plan, including expenses reasonably incurred in the defense of any claim relating thereto with respect to the administration of the Plan or any trust established under the Plan, except that no indemnification or defense shall be provided to any person with respect to any conduct that has been judicially determined, or agreed by the parties, to have constituted willful misconduct on the part of such person, or to have resulted in his or her receipt of personal profit or advantage to which he or she is not entitled. In connection with the indemnification provided by the preceding sentence, expenses incurred in defending a civil or criminal action, suit or proceeding, or incurred in connection with a civil or criminal investigation, may be paid by the Company in advance of the final disposition of such action, suit, proceeding, or investigation, as authorized by the Retirement Committee, the Benefits Committee or the ONC Committee in the specific case, upon receipt of an undertaking by or on behalf of the party to be indemnified to repay such amount unless it shall ultimately be determined that the person is entitled to be indemnified by the Company pursuant to this paragraph.

12.7 **No Enlargement of Employment Rights**. The Plan shall not constitute a contract of employment between an Employer and the Participant. Nothing in the Plan shall give any Participant or Beneficiary the right to be retained in the service of an Employer or to interfere with the right of an Employer to discipline or discharge a Participant at any time.

12.8 **Protective Provisions**. A Participant shall cooperate with his Employer by furnishing any and all information requested by the Employer in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Employer may deem necessary and taking such other action as may be requested by the Employer.

12.9 **Governing Law**. The Plan shall be construed and administered under the laws of the State of Indiana, except as preempted by federal law.

12.10 **Validity**. In case any provision of the Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

12.11 **Notice**. Any notice required or permitted under the Plan shall be sufficient if in writing and hand delivered or sent by registered or certified mail. Such notice shall be deemed as given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Mailed notice to the Retirement Committee or the Benefits Committee shall be directed to the Company's address. Mailed notice to a Participant or Beneficiary shall be directed to the individual's last known address in the applicable Employer's records.

12.12 **Successors**. The provisions of the Plan shall bind and inure to the benefit of the Employers and their successors and assigns. The term successors as used herein shall include any corporate or other business entity that shall, whether by merger, consolidation, purchase, or otherwise, acquire all or substantially all of the business and assets of an Employer, and successors of any such corporation or other business entity.

12.13 **Incapacity of Recipient**. If any person entitled to a benefit payment under the Plan is deemed by the Plan Administrator to be incapable of personally receiving and giving a valid receipt for such payment, then, unless and until a claim shall have been made by a duly appointed guardian or other legal representative of such person, the Plan Administrator may provide for such payment or any part thereof to be made to any other person or institution then contributing toward or providing for the care and maintenance of such person. Any such payment shall be a payment for the account of such person and a complete discharge of any liability of the Company, any other Employer, the Plan Administrator and the Plan.

12.14 **Unclaimed Benefit**. Each Participant shall keep the Plan Administrator informed of his or her current address and the current address of his or her Beneficiaries. The Plan Administrator shall not be obligated to search for the whereabouts of any person. If the location of a Participant is not made known to the Plan Administrator within three years after the date on which payment of the Participant's benefit may be made, payment may be made as though

the Participant had died at the end of the three-year period. If, within one additional year after such three-year period has elapsed or within three years after the actual death of a Participant, the Plan Administrator is unable to locate any Beneficiary of the Participant, then the Plan Administrator shall have no further obligation to pay any benefit hereunder to such Participant, Beneficiary, or any other person and such benefit shall be irrevocably forfeited.

12.15 **Tax Compliance and Payouts** .

(a) It is intended that the Plan comply with the provisions of Code Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such amounts would otherwise actually be paid or made available to Participants or Beneficiaries. This Plan shall be construed, administered, and governed in a manner that affects such intent, and neither any Participant, Beneficiary, nor Plan Administrator shall not take any action that would be inconsistent with such intent.

(b) Although the Plan Administrator shall use its best efforts to avoid the imposition of taxation, interest and penalties under Code Section 409A, the tax treatment of deferrals under this Plan is not warranted or guaranteed. Neither the Company, the other Affiliates, the Plan Administrator, the Retirement Committee, nor any designee shall be held liable for any taxes, interest, penalties or other monetary amounts owed by any Participant, Beneficiary or other taxpayer as a result of the Plan.

(c) Notwithstanding anything to the contrary contained in the Plan, (1) in the event that the Internal Revenue Service prevails in its claim that amounts contributed to the Plan for the benefit of a Participant, and/or earnings thereon, constitute taxable income under Code Section 409A, and guidance and regulations thereunder, to the Participant or his Beneficiary for a taxable year prior to the taxable year in which such contributions and/or earnings are distributed to him, or (2) in the event that legal counsel satisfactory to the Company, and the applicable Participant or his Beneficiary, renders an opinion that the Internal Revenue Service would likely prevail in such a claim, the Post-2004 Account, to the extent constituting such taxable income, shall be immediately distributed to the Participant or his Beneficiary. For purposes of this Section, the Internal Revenue Service shall be deemed to have prevailed in a claim if such claim is upheld by a court of final jurisdiction, or, if based upon an opinion of legal counsel satisfactory to the Company and the Participant or his Beneficiary, the Plan fails to appeal a decision of the Internal Revenue Service, or a court of applicable jurisdiction, with respect to such claim to an appropriate Internal Revenue Service appeals authority or to a court of higher jurisdiction within the appropriate time period.

{Signature on following page}

IN WITNESS WHEREOF , the Company has caused the NiSource Inc. Executive Deferred Compensation Plan to be executed in its name by its duly authorized officer, effective as of January 1, 2012.

NISOURCE INC.

By: /s/ Joel Hoelzer
Its: Vice President, HR
Date: 3/14/12

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert C. Skaggs, Jr., certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended March 31, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materi affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2012

By: /s/ Robert C. Skaggs, Jr.
Robert C. Skaggs, Jr.
Chief Executive Officer

Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen P. Smith, certify that:

1. I have reviewed this Quarterly Report of NiSource Inc. on Form 10-Q for the quarter ended March 31, 2012;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2012

By: /s/ Stephen P. Smith
Stephen P. Smith
Executive Vice President and Chief Financial Officer

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2012 as filed w the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert C. Skaggs, Jr., Chief Executive Officer of the Compa certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Robert C. Skaggs, Jr.
Robert C. Skaggs, Jr.
Chief Executive Officer

Date: May 1, 2012

Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

nnection with the Quarterly Report of NiSource Inc. (the "Company") on Form 10-Q for the quarter ending March 31, 2012 as filed with ecurities and Exchange Commission on the date hereof (the "Report"), I, Stephen P. Smith, Executive Vice President and Chief Financial cer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen P. Smith
Stephen P. Smith
Executive Vice President and Chief Financial Officer

Date: May 1, 2012