

purposes): (i) Call Center IVR & Web Support, (ii) Offshore Call Center & Meter to Cash and (iii) T&E (or ERS).

- g. If NiSource elects to terminate RTS AS (as defined in **Attachment A — Part 1**) separately from the respect of the RTS Services, then any termination fees for the RTS Services shall be reduced by the termination fees associated with “Application Services – RTS only” in **Schedule 4.2**.

13. **Amendments applicable to Transition Back Activities**. As of the MOU Effective Date (the Parties agree that these terms and obligations have applied and shall apply as of such date on a retroactive basis since the MOU has been terminated and superseded by the terms of this Amendment):
- a. IBM shall cooperate with the transition of the Services to NiSource (or Vertex if applicable) so that transition does not result in any unplanned disruption in Services to NiSource and its end users.
  - b. NiSource shall provide and make available to IBM the NiSource transition lead to perform and manage the transition back of the terminated scope.
  - c. IBM shall provide and make available to NiSource the IBM transition lead agreed to by the Parties on a full-time, dedicated basis to perform and manage the transition back of the terminated scope (the “**Transition Back Lead**”). During the transition, IBM shall retain the Transition Back Lead on a full-time, dedicated basis for NiSource until such time as NiSource requests otherwise. IBM shall provide to NiSource a staffing plan for incremental IBM personnel and approved contractors that shall assist with the transition back activities. NiSource shall review and approve such list and shall only pay for those individuals who have been pre-approved by NiSource. NiSource shall not pay for IBM’s internal HR resources or resources handling IBM’s communication activities.
  - d. IBM shall provide NiSource with a complete and accurate list of all employees and contractors currently providing services to NiSource within the Service Towers to be terminated (including CCC and MTC). IBM shall provide NiSource with access to such individuals and shall allow NiSource to offer employment or contractor engagements to any or all of such individuals. The timing for any such hires or engagements shall be specified by NiSource. In addition, IBM shall not make any changes to the IBM personnel and contractors as of the MOU, Effective Date except as discussed with and approved by NiSource. In addition, IBM shall act in good faith and not encourage or require any IBM personnel or contractor to resign prior to the transition back of the applicable Services.
  - e. IBM shall take the actions necessary or reasonably requested by NiSource to facilitate the release and the hiring of the employees and contractors

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specified by NiSource. IBM shall waive any restrictive or other covenants or requirements relating to or imposed on such employees or contractors to the extent the same would interfere with such release and/or hiring or engagement or restrict or limit the actions of any such individual as an employee or contractor of NiSource.

- f. As requested by NiSource, IBM shall return all NiSource data and information to NiSource in accordance with the format and media requirements set forth in the Agreement.
  - g. Upon NiSource's request, IBM shall meet with those individuals designated by NiSource as defined in the transition plans in order to provide training, knowledge transfer and direction with respect to the operation and maintenance of the terminated Services and related systems and processes.
  - h. For the avoidance of doubt, IBM shall meet and comply with all Service Levels, and the Service Level Credits shall apply, during any transition back and/or Termination/Expiration Assistance period. NiSource does not and shall not waive any Service Levels or Service Level Credits, subject to **Section 13.4** of the Agreement.
14. **Precedence**.

To the extent any of the provisions herein are in conflict with or contradict the terms of the Agreement, (a) all such terms shall be interpreted where possible so as to be consistent with one another, and if such interpretation is not possible, then (b) the terms contained herein shall prevail. Subject to the foregoing, these terms are intended to be additive not in lieu of the terms of the Agreement. If the Agreement has additional terms, then those terms shall be applicable as well. For the avoidance of doubt, IBM shall not make any changes to the invoicing process (including the state by state break downs) with respect to any of the Fees to be charged to NiSource.

15. **Miscellaneous**.

- a. The terms and conditions set forth in this Amendment shall be deemed a part of the Agreement for all purposes.
- b. Except as provided in this Amendment, the Agreement shall remain unchanged and in full force and effect.
- c. Unless otherwise expressly provided herein, all amendments to the Agreement set forth in this Amendment shall be effective as of the Amendment Effective Date.

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- d. This Amendment, when read in conjunction with the Agreement (including all Schedules, Exhibits and written amendments thereto), constitutes the entire agreement between the Parties with respect to the subject matter contained in this Amendment, and supersedes and replaces all prior agreements, whether written or oral, with respect to such subject matter.
- e. The Parties hereto represent that each respectively has the authority to enter this Amendment and the authority to grant the rights and privileges as set forth herein. The individuals signing this Amendment hereby represent and warrant full authority to sign on behalf of the respective Parties.
- f. Neither Party may assign this Amendment in whole or in part by operation of law or otherwise except as consistent with the assignment terms set forth in the Agreement.
- g. Any notice, consent, approval or other communication given pursuant to this Amendment shall be in writing and shall be effective either when delivered personally to the Party for whom it is intended or by facsimile (with confirmation of delivery) or overnight delivery services (with confirmation of delivery) addressed to the Parties as set forth in the notice section of the Agreement. A Party may designate a different address by notice to the other Party given in accordance with the notice section of the Agreement.
- h. This Amendment shall be governed by, construed and interpreted in accordance with the laws of the State of Ohio, excluding its conflicts of laws rules.
- i. This Amendment may be executed in two or more counterparts (delivery of which may occur via facsimile), each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. This Amendment and any documents delivered pursuant hereto, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or as an attachment to an electronic mail message in "pdf" or similar format, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any Party hereto or to any such agreement or instrument, the other Party hereto or thereto shall re-execute original forms thereof and deliver them to the requesting Party. No Party hereto or to any such agreement or instrument shall raise the use of a facsimile machine or electronic mail attachment in "pdf" or similar format to deliver a signature or the fact that any signature

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or agreement or instrument was transmitted or communicated through the use of a facsimile machine or as an attachment to an electronic mail message as a defense to the formation of a contract and each such Party forever waives any such defense. A facsimile signature or electronically scanned copy of a signature shall constitute and shall be deemed to be sufficient evidence of a Party's execution of this Amendment, without necessity of further proof. Each such copy shall be deemed an original, and it shall not be necessary in making proof of this Amendment to produce or account for more than one such counterpart.

- j. Each Party agrees not to publicize or disclose the financial terms and conditions of this Amendment, except with the prior written consent of the other, as required by law or in connection with communications with NiSource executives and/or Board members.
- k. In accordance with the Agreement, IBM shall continue providing the Services, and provide other Termination/Expiration Assistance Services, related to the terminated scope as of the Amendment Effective Date (including, for example, knowledge transfer, employee transition as applicable and other related unwind services) in accordance with the Agreement, as and for the period requested by NiSource, not to exceed 24 months following the Amendment Effective Date (the “ **Contractual Transition Back Period** ”). Any extensions of the Contractual Transition Back Period shall be mutually agreed upon by the Parties and set forth in a separate written instrument signed by the Parties. Notwithstanding the foregoing, it is NiSource's intent as of the Amendment Effective Date to transition back the Services terminated hereunder in accordance with the schedule set forth in **Attachment F** (the “ **Projected Transition Back Period** ”). Notwithstanding anything to the contrary in this Amendment or the Agreement, if this Amendment requires IBM to provide Services under a Service Tower that has been terminated as of the Amendment Effective Date hereunder (in whole or in part) for a fixed fee, then IBM shall provide such Services at the applicable fixed fee (without any ECA adjustment) for the Projected Transition Back Period, and for up to an additional 60-day period if NiSource gives IBM written notice 45 days prior to the end of the applicable end date of the Projected Transition Back Period. The charges applicable to any extension of the Services beyond such 60-day period shall be equitably adjusted to account for the extended provision of Services and mutually agreed between the Parties in writing. This provision shall not in any way limit or eliminate IBM's obligation to provide ongoing Termination/Expiration Assistance (other than the ongoing Services) with respect to the transfer and unwinding of the Services after the end of the applicable Projected Transition Back Period. For the purposes of this Amendment, “ **Transition Back Completion Date** ” shall mean the actual date on which the applicable terminated

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Services have been fully transitioned back to NiSource or its designee (as agreed to by NiSource). Upon reasonable notice to IBM, NiSource may accelerate a transition back period and IBM shall transition back the affected Services within the accelerated time frame, provided that it is reasonable.

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**IN WITNESS WHEREOF**, the Parties hereto have caused this Amendment to be signed by their duly authorized representatives, as of the date(s) set forth below.

**NISOURCE CORPORATE SERVICES  
COMPANY**

Signature: /s/ Violet Sistovaris

Name: Violet Sistovaris

Title: Senior Vice President, Administrative Services

Date: December 12, 2007

**INTERNATIONAL BUSINESS  
MACHINES CORPORATION**

Signature: /s/ Philip Guido

Name: Philip Guido

Title: GM, MBPS Americas

Date: December 12, 2007

NiSource — IBM Amendment #4



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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant To Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 2, 2007

**NiSource Inc.**

(Exact name of registrant as specified in its charter)

Commission file number 001-16189

Delaware	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue Merrillville, Indiana	46410
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (877) 647-5990

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))
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ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On November 2, 2007, NiSource Inc. (the "Company") reported its financial results for the quarter ended September 30, 2007. The Company's press release, dated November 2, 2007, is attached as Exhibit 99.1.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated November 2, 2007, issued by NiSource Inc.

SIGNATURES

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 hereunto duly authorized.

NiSource Inc.

\_\_\_\_\_  
(Registrant)

Date: November 2, 2007

By:

\_\_\_\_\_  
/s/ Jeffrey W. Grossman

Jeffrey W. Grossman  
Vice President and Controller

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EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release, dated November 2, 2007, issued by NiSource Inc.

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# NEWS

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**NiSource**<sup>®</sup>

801 E. 86th Avenue  
Merrillville, IN 46410

**FOR IMMEDIATE RELEASE**

November 2, 2007

**FOR ADDITIONAL INFORMATION**

**Media**

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Director, Communications  
(219) 647-5581  
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**Investors**

Randy Hulen  
Director, Investor Relations  
(219) 647-5688  
rghulen@nisource.com

## **NiSource Reports Third-Quarter Earnings, Provides Business Update**

- **Key Business Initiatives Advance**
- **Intent to form Master Limited Partnership**
- **Earnings Outlook Affirmed**
- **Continued Execution on Four-Part Plan**

**MERRILLVILLE, Ind.** — NiSource Inc. (NYSE: NI) today announced net operating earnings (non-GAAP) of \$21.5 million, or 8 cents per share, for the three months ended Sept. 30, 2007, compared with \$29.6 million, or 11 cents per share, for the third quarter of 2006 (all per-share amounts are basic). Operating earnings (non-GAAP) were \$132.4 million for the third quarter, compared to \$142.9 million for the same period in 2006. The operating earnings reduction is the result of a one-time \$16.2 million reserve associated with a Northern Indiana Public Service Company (NIPSCO) regulatory settlement discussed later in this news release. For a reconciliation of net operating earnings and operating earnings to GAAP, see Schedules 1 and 2 of this news release.

“In addition to delivering solid third quarter performance across our core businesses, including our Whiting Clean Energy (WCE) unit, the NiSource team has recently made significant progress on several threshold business initiatives,” Skaggs said. “These initiatives, which involved each of our major business units, advance NiSource’s ongoing efforts to reposition the company for long-term, sustainable earnings growth. They are, in many respects, watershed events that will help unlock the underlying value of our assets, address legacy issues, and set the stage for future earnings growth.”



## Key Business Initiatives Advance

In particular, Skaggs highlighted several important recent accomplishments designed to further advance NiSource's long-term business strategy:

- On Oct. 16, NIPSCO announced a settlement with regulatory stakeholders and large industrial customers regarding the cost of electric power the company was required to purchase to meet growing market demands. The settlement, which includes a one-time refund of \$33.5 million, and which the Indiana Utility Regulatory Commission (IURC) is expected to rule on by year's end, resolves the purchase power matter and contains provisions addressing NIPSCO's need to add to its electric generation portfolio. The settling parties also agreed to NIPSCO's deferral of depreciation expense and carrying charges associated with its acquisition of combined cycle generating facilities. As noted above, operating earnings for electric operations reflect a \$16.2 million charge related to the settlement, which represents the portion of the refund attributed to this year.
- On Nov. 1, NIPSCO filed a comprehensive Integrated Resource Plan (IRP) with the IURC identifying the company's plans for addressing its customers' electric generating capacity needs. The IRP indicates a need for approximately 1,000 megawatts (MW) of additional capacity by 2014 and concludes that the best alternative for meeting this need would be the acquisition of gas-fired combined cycle generating capacity. The conclusion is based in large part on offers NIPSCO received through an open Request for Proposal (RFP) that was concluded in the summer of 2007. The IRP also suggests that NIPSCO add wind-generated electric purchases and energy efficiency programs to the portfolio.

Based upon the direction of the IRP, NIPSCO has finalized purchase and sales agreements to acquire two gas-fired generating facilities with a combined capacity of 1,060 MW, subject to IURC and Federal Energy Regulatory Commission (FERC) approvals. NIPSCO will be filing in late November a request with the IURC to grant a certificate of public convenience and necessity (CPCN) authorizing the purchase of LS Power Group's Sugar Creek Power Plant, a 535 MW combined-cycle gas cogeneration facility in West Terre Haute, Ind., and NiSource's WCE facility, a 525 MW combined-cycle gas cogeneration facility in Whiting, Ind. Both facilities were successful bidders in a Request for Proposal process. The acquisitions are targeted to be completed in the second quarter of 2008.

- On Oct. 26, Columbia Gas of Ohio (COH) and staff from the Public Utilities Commission of Ohio (PUCO) filed a Joint Stipulation that clarifies the company's operational responsibilities for customer-owned service lines and faulty risers. It also establishes a recovery mechanism to collect certain costs associated with repair or replacement of customer-owned service lines and replacement of risers and, if approved by the Commission, resolves outstanding issues related to this important customer safety program.
- On Oct. 30, Columbia Gulf Transmission Co. (Columbia Gulf) and Tennessee Gas Pipeline Co. (Tennessee) entered into a binding Purchase-Sale Agreement whereby Tennessee will buy the majority of Columbia Gulf's offshore Louisiana assets and operations in the Gulf of Mexico. These assets, which do not comprise a significant portion of Columbia Gulf's asset base, are not considered strategic to Columbia Gulf, which is focusing on growing its onshore transportation business. Both companies currently anticipate making the necessary regulatory filings by year-end with a closing during the first half of 2008. The agreement, which is subject to regulatory

approvals, also provides for settlement of all outstanding litigation between the companies at closing.

- On Oct. 22, NiSource and IBM reached an agreement-in-principle on a restructuring of their business services agreement. This proposed restructuring, which is expected to be finalized by year-end, will put NiSource in a position to more effectively manage its employee and administrative expense, while ensuring delivery of services needed to meet the company's needs.

"This list of recent accomplishments unequivocally shows that we are moving aggressively, and thoughtfully, to clear the deck of distractions, engage our stakeholders and make investments so that we can better position our teams to execute on NiSource's growth strategy," Skaggs added. "As a reminder, our investment-driven strategy is premised on enhancing and expanding NiSource's core strategic assets, executing on an array of promising growth prospects, and synchronizing our investments with complementary commercial and regulatory initiatives."

#### **Intent to form MLP**

Skaggs also noted NiSource's intention to proceed with the formation of a Master Limited Partnership (MLP) for certain gas transmission and storage assets. He said NiSource intends to file a registration statement with the Securities and Exchange Commission, following board approval, later this year for the offer and sale of limited partnership interests in a new subsidiary.

"We believe the formation of a master limited partnership is a natural complement to our gas transmission and storage growth strategy, and should provide access to competitively priced capital to support future growth investment," Skaggs said.

#### **Earnings Outlook Affirmed**

Skaggs noted that NiSource remains on track to achieve its 2007 net operating earnings (non-GAAP) outlook of approximately \$1.35 per share. On a GAAP basis, basic earnings per share from continuing operations are projected to be approximately \$1.21, which reflects the items shown on Schedule 1 of this news release, plus expected charges which will be recorded in the fourth quarter relating to the agreement-in-principle reached with IBM and the early retirement of the debt related to the proposed sale of WCE to NIPSCO.

Net operating earnings per share (non-GAAP) and basic earnings per share from continuing operations for the 2008-2010 period are expected to fall within a range of \$1.25 to \$1.35. Thereafter, NiSource expects its ongoing capital investment program of more than \$1 billion per year to produce meaningful annual growth in earnings per share.

"Our outlook is premised on executing on our investment and regulatory strategy for our regulated utilities, as well as on our inventory of growth projects in the gas transmission and storage segment of our business," Skaggs said.

#### **Continued Execution on Four-Part Plan**

Skaggs cited several examples of continuing progress on key elements of NiSource's long-term plan for achieving sustainable earnings growth:

- On Oct. 31, the Massachusetts Department of Public Utilities (DPU) approved a \$5.9 million increase in **Bay State Gas Company's** base rates, effective November 1. The increase was pursuant to a request made by Bay State under the terms of its existing Performance Based Rate mechanism. In a separate filing, Bay State Gas on Oct. 17 petitioned the DPU to allow the company to collect an additional \$7.5 million in annual revenue. Bay State also requested approval of a steel infrastructure tracker that would allow for recovery of ongoing infrastructure replacement program investments.
- With a number of key uncertainties and legacy issues addressed by means of the initiatives mentioned above, both **NIPSCO** and **COH** are fully focused on preparations for significant rate proceedings during 2008. As noted, COH is conducting outreach and planning efforts necessary to file a traditional cost-of-service base rate case in early 2008, while NIPSCO is preparing to file its electric rate case as scheduled by July 1, 2008.
- **Columbia Gas of Pennsylvania (CPA)** is, likewise, in the advanced stages of preparation of a base rate case filing to be made in January 2008. CPA also launched a 20-year natural gas infrastructure enhancement project that will replace approximately 600,000 feet of underground natural gas distribution lines and facilities each year, while synchronizing those investments with regulatory recovery. CPA is actively supporting legislative initiatives in Pennsylvania that would provide for a regulatory mechanism to recover the costs associated with natural gas infrastructure improvement programs on a timely basis. Notably, the chairman of the State's Public Utility Commission, as well as two state House of Representative leaders, are calling on the Pennsylvania General Assembly to pass such legislation.
- On Aug. 29, **Columbia Gas of Kentucky** received approval of a base rate case settlement with regulatory stakeholders that increases total annual revenues by \$7.25 million, or 4.5 percent.
- **NiSource Gas Transmission & Storage (NGT&S)** expansion projects continued to advance in various stages of development. Construction continues on the **Millennium Pipeline**, scheduled to begin service in November 2008. In addition, FERC on October 1 issued a favorable environmental assessment for **Columbia Gas Transmission Corporation's** \$140 million **Eastern Market Expansion Project**, a proposal to expand natural gas storage and pipeline facilities in Ohio, West Virginia and Virginia. The assessment is subject to public comment. Also, in response to growing demand to connect NGT&S's diverse supply mix with growing markets in the southeast, the company announced a binding open season for expanded capacity on its **Columbia Gulf** system for delivery to Florida Gas Transmission. The open season ends today.
- On Aug. 31, NiSource Finance issued \$800 million of 6.4 percent, 10.5-year senior unsecured notes that mature March 15, 2018. The proceeds were used to repay short-term bank borrowings, to fund the redemption of \$24 million of NIPSCO's variable rate pollution control bonds due November 2007, and for capital expenditures and general corporate purposes. The short-term bank borrowings were previously used to fund the redemption of NIPSCO's

preferred stock in 2006, having a total redemption value of \$81.6 million, and for the repayment of an aggregate \$503.5 million of long-term debt in 2006 and the first nine-months of 2007.

“Our teams are continuing to execute across all elements of our four-part growth strategy,” Skaggs said. “Whether via commercial growth and expansion of our transmission and storage business, investment-driven regulatory and commercial initiatives, or via strong financial, process and expense management, we are committed to delivering on NiSource’s long-term growth prospects.”

### **Third Quarter 2007 Operating Earnings — Segment Results (non-GAAP)**

NiSource’s consolidated operating earnings (non-GAAP) for the quarter ended Sept. 30, 2007, were \$132.4 million, compared to \$142.9 million for the same period in 2006. Refer to Schedule 2 for the items included in 2007 and 2006 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource’s business segments for the three months ended Sept. 30, 2007, are discussed below.

*Gas Distribution Operations* reported an operating earnings loss of \$41.9 million versus an operating earnings loss of \$30.8 million in the third quarter of 2006. The increased loss resulted primarily from higher operating expenses, partially offset by increased net revenues. Operating expenses, excluding the impact of trackers, were \$14.7 million higher than the prior year, mainly due to higher employee and administrative expenses, property taxes, depreciation costs, and a reversal of a restructuring charge that benefited last year’s results by \$5.1 million. The employee and administrative costs include payroll, benefits and corporate services. Net revenues, excluding the impact of trackers, were \$3.3 million higher than the same period in 2006, primarily as the result of regulatory initiatives and other service programs.

*Gas Transmission and Storage Operations* reported operating earnings of \$75.4 million versus operating earnings of \$69.4 million in the third quarter of 2006. The increase resulted primarily from higher net revenues from firm capacity reservation fees. A key driver behind this improvement is that Columbia Gulf mainline pipeline throughput has increased as a result of higher storage injections, gas-fired electric generation demands, and increased marketing activities. Operating expenses, excluding the impact of trackers, were slightly lower than the comparable period last year.

*Electric Operations* reported operating earnings of \$102 million versus operating earnings of \$113.1 million from the same quarter last year. Net revenue decreased by \$5.3 million due primarily to a \$16.2 million reduction associated with the settlement relating to power purchased by NIPSCO (discussed earlier). These decreases were partially offset by higher wholesale and commercial margins and lower unrecoverable Midwest Independent System Transmission Operator (MISO) costs. Operating expenses increased by \$5.8 million due primarily to higher employee and administrative costs and restoration costs associated with severe storms experienced during the quarter.

*Other Operations* reported operating earnings of \$5.5 million in the third quarter of 2007, compared with an operating earnings loss of \$0.1 million in the prior year period. The improvement resulted from higher net revenues from the Whiting Clean Energy facility.

## Other Items

Interest expense increased by \$4.6 million during the third quarter due to higher short-term interest rates. Other net income improved to \$1.4 million compared to a loss of \$0.8 million last year. The improvement resulted primarily from higher interest income in the current period.

### Nine Months Period 2007 Operating Earnings — Segment Results (non-GAAP)

NiSource's consolidated operating earnings (non-GAAP) for the nine months ended September 30, 2007 were \$707.8 million, compared to \$714.3 million for the same period in 2006. Refer to Schedule 2 for the items included in 2007 and 2006 GAAP operating income but excluded from operating earnings.

Operating earnings for NiSource's business segments for the nine months ended Sept. 30, 2007, are discussed below.

*Gas Distribution Operations* reported operating earnings of \$225 million compared to \$231.4 million reported for the first nine months of 2006. Increases in net revenues were more than offset by increased operating expenses. Net revenues, excluding the impact of trackers, were \$26.1 million higher due to customer growth, increased commercial volumes, and regulatory initiatives and other service programs. Operating expenses, excluding the impact of trackers, were \$33.1 million higher than last year primarily due to higher employee and administrative costs, outside service expenses, property taxes, and reversal of a restructuring charge that benefited last year's results by \$5.1 million. The employee and administrative costs include payroll, benefits and corporate services. Within corporate services, the cost increases were primarily related to NiSource's business services arrangement with IBM.

*Gas Transmission and Storage Operations* reported operating earnings of \$257.5 million versus operating earnings of \$261.2 million in the first nine months of 2006. The decrease resulted from higher operating expenses, excluding the impact of trackers, of \$11.8 million, mainly due to higher employee and administrative expenses, property insurance premiums, and other maintenance costs. The employee and administrative costs include payroll, benefits and corporate services. The higher expenses were partially offset by higher net revenues and earnings from equity investments. Gas Transmission and Storage operations net revenues, excluding the impact of trackers, increased by \$1.1 million as higher net revenues from firm capacity reservation fees more than offset lower revenues from shorter term transportation and storage services. While stabilization in the natural gas market has moderated optimization revenues this year, firm capacity and commodity revenues have been strong compared to last year. A key driver behind this improvement is that the Columbia Gulf mainline pipeline throughput has increased as a result of higher storage injections, gas-fired electric generation demands, and increased marketing activities. Equity earnings from unconsolidated affiliates increased by \$7.0 million, due to Hardy Storage going into service in April 2007 and higher AFUDC earnings from Millennium Pipeline.

*Electric Operations* reported operating earnings of \$237.1 million for the first nine months of 2007, compared with \$251.1 million for the prior year period. Net revenues increased by \$8.2 million due to increased wholesale and commercial margins, residential volumes, lower unrecoverable MISO costs and overall customer growth, partially offset by an accrual that was recorded for the settlement relating to power purchased by NIPSCO (discussed earlier), decreased industrial volumes and margins and the timing of revenue credits. The increases in net revenues were more

than offset by higher operating expenses, which increased by \$22.2 million due primarily to higher employee and administrative costs, electric generation and maintenance expenses, and restoration costs associated with the severe storms experienced during the third quarter of this year, and higher depreciation costs and property taxes. The employee and administrative costs include payroll, benefits and corporate services.

*Other Operations* reported operating earnings of \$1.7 million in the first nine months of 2007, versus an operating earnings loss of \$14.9 million in the first nine months of 2006. The \$16.6 million improvement was caused primarily by improved results at the Whiting Clean Energy facility. As previously announced, Whiting Clean Energy (WCE) and BP signed a definitive agreement at the end of 2006 redefining the terms under which WCE provides steam to BP for its oil refining process.

#### **Other Items**

Interest expense increased by \$12.6 million due to higher short-term interest rates and credit facility fees. Other net income was a loss of \$1.8 million compared to a loss of \$6.9 million last year. The improvement resulted primarily from higher interest income in the current nine-month period. The effective tax rate was 37%. Last year's effective tax rate of 35.6% was favorably impacted by state deferred income tax adjustments recorded during the first quarter of 2006.

#### **Income from Continuing Operations (GAAP)**

On a GAAP basis, NiSource reported income from continuing operations for the three months ended Sept. 30, 2007, of \$9.8 million, or 3 cents per share, compared with \$26 million, or 10 cents per share, in the same period a year ago. Operating income was \$112.9 million for the third quarter of 2007, compared with \$136.5 million in the year-ago period. The decrease in earnings was primarily due to the accrual that was recorded for the settlement relating to power purchased by NIPSCO (discussed earlier).

On a GAAP basis, NiSource reported income from continuing operations for the nine months ended September 30, 2007, of \$247.1 million, or 90 cents per share, compared with \$221.1 million, or 81 cents per share, in the same period a year ago. Operating income was \$690.8 million for the first nine months of 2007 versus \$636.8 million in the year-ago period. The increase in earnings for the first nine months of 2007 was due to increased revenues, primarily due to favorable weather, along with the other factors discussed within the business segments.

#### **Definition of non-GAAP measures**

NiSource focuses on net operating earnings and operating earnings, which are both non-GAAP measures, because management believes these measures better represent the fundamental earnings strength and performance of the company. NiSource uses these measures internally for budgeting, for reporting to the board of directors, and for purposes of determining the payout under NiSource's annual incentive compensation plan for its employees.

Net operating earnings are a non-GAAP financial measure that NiSource defines as income from continuing operations determined in accordance with Generally Accepted Accounting Principles (GAAP) adjusted for certain items. Operating earnings are operating income determined in accordance with GAAP adjusted for certain items. Adjustments reflected in these measures are primarily weather, restructuring and transition costs related to the outsourcing contract with IBM, gains and losses on the sale of assets, certain reserve adjustments and other items. See Schedule 1

and Schedule 2 of this news release for the reconciliations of net operating earnings and operating earnings, respectively, to GAAP.

**About NiSource**

NiSource Inc. (NYSE: NI), based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at [www.nisource.com](http://www.nisource.com). NI-F

**Forward-Looking Statements**

This news release includes 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. Those statements include statements regarding the intent, belief or current expectations of NiSource and its management. Although NiSource believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Readers are cautioned that the forward-looking statements in this presentation are not guarantees of future performance and involve a number of risks and uncertainties, and that actual results could differ materially from those indicated by such forward-looking statements. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to, the following: 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; the success of NiSource's restructuring of its outsourcing agreement; actual operating experience of NiSource assets; the regulatory process; regulatory and legislative changes; changes in general economic, capital and commodity market conditions; and counter-party credit risk.

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**NiSource Inc.**  
Consolidated Net Operating Earnings (Non — GAAP)

<i>(in millions, except per share amounts )</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
<b>Net Revenues</b>				
Gas Distribution	\$ 462.3	\$ 392.2	\$3,122.4	\$3,048.9
Gas Transportation and Storage	204.7	202.7	778.7	743.8
Electric	394.0	381.9	1,049.9	994.6
Other	197.5	183.4	764.4	715.2
Gross Revenues	1,258.5	1,160.2	5,715.4	5,502.5
Cost of Sales (excluding depreciation and amortization)	610.9	524.9	3,327.2	3,187.0
<b>Total Net Revenues</b>	<b>647.6</b>	<b>635.3</b>	<b>2,388.2</b>	<b>2,315.5</b>
<b>Operating Expenses</b>				
Operation and maintenance	297.8	288.5	897.2	847.1
Operation and maintenance — trackers	21.4	19.3	148.6	130.9
Depreciation and amortization	142.2	136.5	419.4	411.3
Other taxes	48.3	41.2	155.1	146.7
Other taxes — trackers	8.1	7.8	67.9	66.0
<b>Total Operating Expenses</b>	<b>517.8</b>	<b>493.3</b>	<b>1,688.2</b>	<b>1,602.0</b>
<b>Equity Earnings in Unconsolidated Affiliates</b>	<b>2.6</b>	<b>0.9</b>	<b>7.8</b>	<b>0.8</b>
<b>Operating Earnings</b>	<b>132.4</b>	<b>142.9</b>	<b>707.8</b>	<b>714.3</b>
<b>Other Income (Deductions)</b>				
Interest expense, net	(100.8)	(96.2)	(297.5)	(284.9)
Dividend requirements on preferred stock of subsidiaries	—	—	—	(1.1)
Other, net	1.4	(0.8)	(1.8)	(6.9)
<b>Total Other Income (Deductions)</b>	<b>(99.4)</b>	<b>(97.0)</b>	<b>(299.3)</b>	<b>(292.9)</b>
<b>Operating Earnings From Continuing Operations</b>				
<b>Before Income Taxes</b>	<b>33.0</b>	<b>45.9</b>	<b>408.5</b>	<b>421.4</b>
<b>Income Taxes</b>	<b>11.5</b>	<b>16.3</b>	<b>151.2</b>	<b>149.9</b>
<b>Net Operating Earnings from Continuing Operations</b>	<b>21.5</b>	<b>29.6</b>	<b>257.3</b>	<b>271.5</b>
<b>GAAP Adjustment</b>	<b>(11.7)</b>	<b>(3.6)</b>	<b>(10.2)</b>	<b>(50.4)</b>
<b>GAAP Income from Continuing Operations</b>	<b>\$ 9.8</b>	<b>\$ 26.0</b>	<b>\$ 247.1</b>	<b>\$ 221.1</b>
<b>Basic Net Operating Earnings Per Share from Continuing Operations</b>	<b>0.08</b>	<b>0.11</b>	<b>0.94</b>	<b>1.00</b>
<b>GAAP Basic Earnings Per Share from Continuing Operations</b>	<b>0.03</b>	<b>0.10</b>	<b>0.90</b>	<b>0.81</b>
<b>Basic Average Common Shares Outstanding (millions)</b>	<b>273.9</b>	<b>272.5</b>	<b>273.8</b>	<b>272.4</b>



**NiSource Inc.**  
Segment Operating Earnings (Non-GAAP)

Gas Distribution Operations <i>(in millions)</i>	Three Months Ended September 30.		Nine Months Ended September 30.	
	2007	2006	2007	2006
<b>Net Revenues</b>				
Sales Revenues	\$536.6	\$467.3	\$3,521.6	\$3,402.3
Less: Cost of gas sold	341.8	276.9	2,430.5	2,353.3
<b>Net Revenues</b>	<b>194.8</b>	<b>190.4</b>	<b>1,091.1</b>	<b>1,049.0</b>
<b>Operating Expenses</b>				
Operation and maintenance	142.6	132.3	452.6	424.3
Operation and maintenance — trackers	8.8	8.3	112.6	99.1
Depreciation and amortization	59.2	57.7	175.8	173.3
Other taxes	18.0	15.1	57.2	54.9
Other taxes — trackers	8.1	7.8	67.9	66.0
<b>Total Operating Expenses</b>	<b>236.7</b>	<b>221.2</b>	<b>866.1</b>	<b>817.6</b>
<b>Operating Earnings (Loss)</b>	<b>\$ (41.9)</b>	<b>\$ (30.8)</b>	<b>\$ 225.0</b>	<b>\$ 231.4</b>
<b>GAAP Adjustment</b>	<b>(1.6)</b>	<b>(0.8)</b>	<b>6.2</b>	<b>(63.0)</b>
<b>GAAP Operating Income (Loss)</b>	<b>\$ (43.5)</b>	<b>\$ (31.6)</b>	<b>\$ 231.2</b>	<b>\$ 168.4</b>

Gas Transmission and Storage Operations <i>(in millions)</i>	Three Months Ended September 30.		Nine Months Ended September 30.	
	2007	2006	2007	2006
<b>Net Revenues</b>				
Transportation revenues	\$155.1	\$154.6	\$482.9	\$491.6
Storage revenues	44.4	44.2	134.8	132.4
Other revenues	0.8	(0.8)	3.1	4.8
<b>Total Revenues</b>	<b>200.3</b>	<b>198.0</b>	<b>620.8</b>	<b>628.8</b>
Less: Cost of gas sold	—	4.3	0.1	13.6
<b>Net Revenues</b>	<b>200.3</b>	<b>193.7</b>	<b>620.7</b>	<b>615.2</b>
<b>Operating Expenses</b>				
Operation and maintenance	73.2	75.4	209.4	201.1
Operation and maintenance — trackers	11.8	8.7	31.4	27.0
Depreciation and amortization	29.6	28.3	88.0	85.6
Other taxes	12.9	12.8	42.2	41.1
<b>Total Operating Expenses</b>	<b>127.5</b>	<b>125.2</b>	<b>371.0</b>	<b>354.8</b>
<b>Equity Earnings in Unconsolidated Affiliates</b>	<b>2.6</b>	<b>0.9</b>	<b>7.8</b>	<b>0.8</b>
<b>Operating Earnings</b>	<b>\$ 75.4</b>	<b>\$ 69.4</b>	<b>\$257.5</b>	<b>\$261.2</b>
<b>GAAP Adjustment</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(8.0)</b>	<b>(3.0)</b>
<b>GAAP Operating Income</b>	<b>\$ 74.9</b>	<b>\$ 68.9</b>	<b>\$249.5</b>	<b>\$258.2</b>

**NiSource Inc.**  
Segment Operating Earnings (Non-GAAP) (continued)

Electric Operations (in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
<b>Net Revenues</b>				
Sales Revenues	\$395.3	\$383.2	\$1,053.6	\$998.1
Less: Cost of gas sold	160.9	143.5	419.4	372.1
Net Revenues	234.4	239.7	634.2	626.0
<b>Operating Expenses</b>				
Operation and maintenance	67.5	63.9	202.8	186.8
Operation and maintenance — trackers	0.8	2.3	4.6	4.8
Depreciation and amortization	49.2	47.3	143.8	140.3
Other taxes	14.9	13.1	45.9	43.0
Total Operating Expenses	132.4	126.6	397.1	374.9
Operating Earnings	\$102.0	\$113.1	\$ 237.1	\$251.1
<b>GAAP Adjustment</b>	<b>(16.6)</b>	<b>(4.8)</b>	<b>(13.9)</b>	<b>(11.4)</b>
<b>GAAP Operating Income (Loss)</b>	<b>\$ 85.4</b>	<b>\$108.3</b>	<b>\$ 223.2</b>	<b>\$239.7</b>

Other Operations (in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
<b>Net Revenues</b>				
Products and services revenue	\$195.8	\$176.2	\$747.5	\$694.0
Less: Cost of gas sold	175.7	162.8	701.2	664.5
Net Revenues	20.1	13.4	46.3	29.5
<b>Operating Expenses</b>				
Operation and maintenance	10.5	12.4	31.9	34.2
Depreciation and amortization	2.7	1.8	7.9	7.4
Other taxes	1.4	(0.7)	4.8	2.8
Total Operating Expenses	14.6	13.5	44.6	44.4
Operating Earnings (Loss)	\$ 5.5	\$ (0.1)	\$ 1.7	\$ (14.9)
<b>GAAP Adjustment</b>	<b>(0.8)</b>	<b>(0.1)</b>	<b>(1.0)</b>	<b>1.1</b>
<b>GAAP Operating Income (Loss)</b>	<b>\$ 4.7</b>	<b>\$ (0.2)</b>	<b>\$ 0.7</b>	<b>\$ (13.8)</b>

Corporate (in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Operating Earnings (Loss)	\$ (8.6)	\$ (8.7)	\$ (13.5)	\$ (14.5)
<b>GAAP Adjustment</b>	<b>—</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(1.2)</b>
<b>GAAP Operating Income (Loss)</b>	<b>\$ (8.6)</b>	<b>\$ (8.9)</b>	<b>\$ (13.8)</b>	<b>\$ (15.7)</b>

**NiSource Inc.**  
Segment Volumes and Statistical Data

Gas Distribution Operations	Three Months Ended September 30.		Nine Months Ended September 30.	
	2007	2006	2007	2006
<b>Sales and Transportation (MMDth)</b>				
Residential	16.2	15.6	191.5	162.5
Commercial	19.4	20.0	128.1	114.3
Industrial	89.7	91.1	279.2	272.5
Off System	24.3	11.3	65.4	41.2
Other	0.1	0.1	0.6	0.6
<b>Total</b>	<b>149.7</b>	<b>138.1</b>	<b>664.8</b>	<b>591.1</b>
Weather Adjustment	0.6	(0.4)	(5.3)	37.3
<b>Sales and Transportation Volumes — Excluding Weather</b>	<b>150.3</b>	<b>137.7</b>	<b>659.5</b>	<b>628.4</b>
<b>Heating Degree Days</b>	<b>33</b>	<b>69</b>	<b>3,157</b>	<b>2,752</b>
<b>Normal Heating Degree Days</b>	<b>52</b>	<b>58</b>	<b>3,163</b>	<b>3,165</b>
<b>% Colder (Warmer) than Normal</b>	<b>(37%)</b>	<b>19%</b>	<b>0%</b>	<b>(13%)</b>
<b>Customers</b>				
Residential			3,016,242	2,983,908
Commercial			287,230	276,058
Industrial			8,126	7,849
Other			79	73
<b>Total</b>			<b>3,311,677</b>	<b>3,267,888</b>
<b>Gas Transmission and Storage Operations</b>				
	Three Months Ended September 30.		Nine Months Ended September 30.	
	2007	2006	2007	2006
<b>Throughput (MMDth)</b>				
Columbia Transmission				
Market Area	170.1	170.5	742.1	669.0
Columbia Gulf				
Mainline	163.9	108.1	489.8	397.7
Short-haul	68.4	36.4	159.6	83.8
Columbia Pipeline Deep Water	0.6	1.6	2.1	6.7
Crossroads Gas Pipeline	8.2	8.4	27.6	28.4
Granite State Pipeline	6.2	3.0	22.6	19.1
Intrasegment eliminations	(129.9)	(90.7)	(419.9)	(369.4)
<b>Total</b>	<b>287.5</b>	<b>237.3</b>	<b>1,023.9</b>	<b>835.3</b>

**NiSource Inc.**  
Segment Volumes and Statistical Data (continued)

Electric Operations	Three Months Ended September 30.		Nine Months Ended September 30.	
	2007	2006	2007	2006
<b>Sales (Gigawatt Hours)</b>				
Residential	1,129.2	1,058.0	2,768.2	2,541.1
Commercial	1,109.3	1,077.5	3,043.0	2,921.0
Industrial	2,409.8	2,359.8	7,083.2	7,180.7
Wholesale	437.1	260.4	782.2	608.4
Other	44.4	38.5	103.4	78.9
<b>Total</b>	<b>5,129.8</b>	<b>4,794.2</b>	<b>13,780.0</b>	<b>13,330.1</b>
Weather Adjustment	(11.9)	65.1	(67.3)	141.6
<b>Sales Volumes — Excluding Weather impacts</b>	<b>5,117.9</b>	<b>4,859.3</b>	<b>13,712.7</b>	<b>13,471.7</b>
<b>Cooling Degree Days</b>	<b>606</b>	<b>524</b>	<b>919</b>	<b>714</b>
<b>Normal Cooling Degree Days</b>	<b>580</b>	<b>576</b>	<b>812</b>	<b>803</b>
<b>% Warmer (Colder) than Normal</b>	<b>4%</b>	<b>(9%)</b>	<b>13%</b>	<b>(11%)</b>
<b>Electric Customers</b>				
Residential			398,772	396,072
Commercial			52,378	51,791
Industrial			2,513	2,520
Wholesale			6	7
Other			755	760
<b>Total</b>			<b>454,424</b>	<b>451,150</b>

**NiSource Inc.**  
Schedule 1 — Reconciliation of Net Operating Earnings to GAAP

<i>(in millions, except per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
<b>Net Operating Earnings from Continuing Operations</b>	<b>\$ 21.5</b>	<b>\$ 29.6</b>	<b>\$ 257.3</b>	<b>\$ 271.5</b>
<b>Items excluded from operating earnings:</b>				
<b>Net Revenues:</b>				
Weather — compared to normal	(0.2)	(3.8)	13.7	(62.1)
Purchased Power settlement	(17.3)	—	(17.3)	—
<b>Operating Expenses:</b>				
Restructuring and transition cost (outsourcing initiative)	(1.4)	(2.4)	(3.6)	(11.8)
Asset impairment	(0.4)	—	(10.2)	(4.6)
Gain (Loss) on sales of assets	(0.2)	(0.2)	0.4	1.0
<b>Total items excluded from operating earnings</b>	<b>(19.5)</b>	<b>(6.4)</b>	<b>(17.0)</b>	<b>(77.5)</b>
<b>Loss on early redemption of preferred stock</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(0.7)</b>
<b>Tax effect of above items and other income tax adjustments</b>	<b>7.8</b>	<b>2.8</b>	<b>6.8</b>	<b>27.8</b>
<b>Reported Income from Continuing Operations — GAAP</b>	<b>\$ 9.8</b>	<b>\$ 26.0</b>	<b>\$ 247.1</b>	<b>\$ 221.1</b>
<b>Basic Average Common Shares Outstanding (millions)</b>	<b>273.9</b>	<b>272.5</b>	<b>273.8</b>	<b>272.4</b>
<b>Basic Net Operating Earnings Per Share from Continuing Operations (\$)</b>	<b>0.08</b>	<b>0.11</b>	<b>0.94</b>	<b>1.00</b>
<b>Items excluded from net operating earnings (after-tax)</b>	<b>(0.05)</b>	<b>(0.01)</b>	<b>(0.04)</b>	<b>(0.19)</b>
<b>GAAP Basic Earnings Per Share from Continuing Operations</b>	<b>0.03</b>	<b>0.10</b>	<b>0.90</b>	<b>0.81</b>

**NiSource Inc.**  
Schedule 2 — Quarterly Adjustments by Segment from Operating Earnings to GAAP  
For Quarter ended September 30, 2007

**2007 (in millions)**

	Gas Distribution	Gas Transmission and Storage	Electric	Other	Corporate	Total
<b>Operating Earnings (Loss)</b>	<b>\$(41.9)</b>	<b>\$75.4</b>	<b>\$102.0</b>	<b>\$ 5.5</b>	<b>\$(8.6)</b>	<b>\$132.4</b>
<b>Net Revenues:</b>						
Weather (compared to normal)	(0.9)	—	0.7	—	—	(0.2)
Purchased Power settlement	—	—	(17.3)	—	—	(17.3)
<b>Operating Expenses:</b>						
Restructuring and transition costs (outsourcing initiative)	(0.7)	(0.5)	(0.2)	—	—	(1.4)
Asset Impairment	—	—	—	(0.4)	—	(0.4)
Gain (Loss) on Sale of Assets	—	—	0.2	(0.4)	—	(0.2)
<b>Total Impact — Operating Expenses</b>	<b>(0.7)</b>	<b>(0.5)</b>	<b>—</b>	<b>(0.8)</b>	<b>—</b>	<b>(2.0)</b>
<b>Total Impact — Operating Income (Loss)</b>	<b>(1.6)</b>	<b>(0.5)</b>	<b>(16.6)</b>	<b>(0.8)</b>	<b>—</b>	<b>(19.5)</b>
<b>Operating Income (Loss) — GAAP</b>	<b>\$(43.5)</b>	<b>\$74.9</b>	<b>\$ 85.4</b>	<b>\$ 4.7</b>	<b>\$(8.6)</b>	<b>\$112.9</b>

**2006 (in millions)**

	Gas Distribution	Gas Transmission and Storage	Electric	Other	Corporate	Total
<b>Operating Earnings (Loss)</b>	<b>\$(30.8)</b>	<b>\$69.4</b>	<b>\$113.1</b>	<b>\$(0.1)</b>	<b>\$(8.7)</b>	<b>\$142.9</b>
<b>Net Revenues:</b>						
Weather (compared to normal)	0.7	—	(4.5)	—	—	(3.8)
<b>Operating Expenses:</b>						
Restructuring and transition costs (outsourcing initiative)	(1.4)	(0.5)	(0.3)	—	(0.2)	(2.4)
Loss on Sale of Assets	(0.1)	—	—	(0.1)	—	(0.2)
<b>Total Impact — Operating Expenses</b>	<b>(1.5)</b>	<b>(0.5)</b>	<b>(0.3)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(2.6)</b>
<b>Total Impact — Operating Income (Loss)</b>	<b>(0.8)</b>	<b>(0.5)</b>	<b>(4.8)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(6.4)</b>
<b>Operating Income (Loss) — GAAP</b>	<b>\$(31.6)</b>	<b>\$68.9</b>	<b>\$108.3</b>	<b>\$(0.2)</b>	<b>\$(8.9)</b>	<b>\$136.5</b>

**NiSource Inc.**  
Schedule 2 — Year-to-Date Segment Adjustments from Operating Earnings to GAAP  
For 9 months ended September 30, 2007

**2007 (in millions)**

	Gas Distribution	Gas Transmission and Storage	Electric	Other	Corporate	Total
<b>Operating Earnings (Loss)</b>	<b>\$225.0</b>	<b>\$257.5</b>	<b>\$237.1</b>	<b>\$ 1.7</b>	<b>\$(13.5)</b>	<b>\$707.8</b>
<b>Net Revenues:</b>						
Weather (compared to normal)	9.7	—	4.0	—	—	13.7
Purchased Power settlement	—	—	(17.3)	—	—	(17.3)
<b>Operating Expenses:</b>						
Restructuring and transition costs (outsourcing initiative)	(2.0)	(0.9)	(0.5)	(0.1)	(0.1)	(3.6)
Asset Impairment	(1.9)	(7.3)	(0.3)	(0.5)	(0.2)	(10.2)
Gain (Loss) on Sale of Assets	0.4	0.2	0.2	(0.4)	—	0.4
<b>Total Impact — Operating Expenses</b>	<b>(3.5)</b>	<b>(8.0)</b>	<b>(0.6)</b>	<b>(1.0)</b>	<b>(0.3)</b>	<b>(13.4)</b>
<b>Total Impact — Operating Income (Loss)</b>	<b>6.2</b>	<b>(8.0)</b>	<b>(13.9)</b>	<b>(1.0)</b>	<b>(0.3)</b>	<b>(17.0)</b>
<b>Operating Income (Loss) — GAAP</b>	<b>\$231.2</b>	<b>\$249.5</b>	<b>\$223.2</b>	<b>\$ 0.7</b>	<b>\$(13.8)</b>	<b>\$690.8</b>

**2006 (in millions)**

	Gas Distribution	Gas Transmission and Storage	Electric	Other	Corporate	Total
<b>Operating Earnings (Loss)</b>	<b>\$231.4</b>	<b>\$261.2</b>	<b>\$251.1</b>	<b>\$(14.9)</b>	<b>\$(14.5)</b>	<b>\$714.3</b>
<b>Net Revenues:</b>						
Weather (compared to normal)	(52.5)	—	(9.6)	—	—	(62.1)
<b>Operating Expenses:</b>						
Restructuring and transition costs (outsourcing initiative)	(8.2)	(1.4)	(1.4)	(0.1)	(0.7)	(11.8)
Asset Impairment	(2.6)	(1.1)	(0.4)	—	(0.5)	(4.6)
Gain (Loss) on Sale of Assets	0.3	(0.5)	—	1.2	—	1.0
<b>Total Impact — Operating Expenses</b>	<b>(10.5)</b>	<b>(3.0)</b>	<b>(1.8)</b>	<b>1.1</b>	<b>(1.2)</b>	<b>(15.4)</b>
<b>Total Impact — Operating Income (Loss)</b>	<b>(63.0)</b>	<b>(3.0)</b>	<b>(11.4)</b>	<b>1.1</b>	<b>(1.2)</b>	<b>(77.5)</b>
<b>Operating Income (Loss) — GAAP</b>	<b>\$168.4</b>	<b>\$258.2</b>	<b>\$239.7</b>	<b>\$(13.8)</b>	<b>\$(15.7)</b>	<b>\$636.8</b>

**NiSource Inc.**  
Income Statement (GAAP)  
( *unaudited* )

<i>(in millions, except per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
<b>Net Revenues</b>				
Gas Distribution	\$ 461.4	\$ 392.9	\$3,132.1	\$2,996.4
Gas Transportation and Storage	204.7	202.7	778.7	743.8
Electric	377.4	377.4	1,036.6	985.0
Other	197.5	183.4	764.4	715.2
Gross Revenues	1,241.0	1,156.4	5,711.8	5,440.4
Cost of Sales (excluding depreciation and amortization)	610.9	524.9	3,327.2	3,187.0
Total Net Revenues	630.1	631.5	2,384.6	2,253.4
<b>Operating Expenses</b>				
Operation and maintenance	320.6	310.6	1,049.4	989.8
Depreciation and amortization	142.2	136.5	419.4	411.3
Impairment and (gain) loss on sale of assets	0.6	(0.2)	9.8	3.6
Other taxes	56.4	49.0	223.0	212.7
Total Operating Expenses	519.8	495.9	1,701.6	1,617.4
<b>Equity Earnings in Unconsolidated Affiliates</b>	2.6	0.9	7.8	0.8
<b>Operating Income</b>	112.9	136.5	690.8	636.8
<b>Other Income (Deductions)</b>				
Interest expense, net	(100.8)	(96.2)	(297.5)	(284.9)
Dividend requirement on preferred stock of subsidiaries	—	—	—	(1.1)
Other, net	1.4	(0.8)	(1.8)	(6.9)
Loss on early redemption of preferred stock	—	—	—	(0.7)
Total Other Income (Deductions)	(99.4)	(97.0)	(299.3)	(293.6)
<b>Income From Continuing Operations Before Income Taxes and Cumulative Effect of Change in Accounting Principle</b>	13.5	39.5	391.5	343.2
<b>Income Taxes</b>	3.7	13.5	144.4	122.1
<b>Income From Continuing Operations Before Cumulative Effect of Change in Accounting Principle</b>	9.8	26.0	247.1	221.1
Income (Loss) from Discontinued Operations — net of taxes	0.1	(0.3)	0.4	(2.2)
Gain on Disposition of Discontinued Operations — net of taxes	1.1	0.1	6.9	0.4
<b>Income Before Change in Accounting Principle</b>	11.0	25.8	254.4	219.3
Cumulative Effect of Change in Accounting Principle — net of taxes	—	—	—	0.4
<b>Net Income</b>	\$ 11.0	\$ 25.8	\$ 254.4	\$ 219.7
<b>Basic Earnings Per Share (\$)</b>				
Continuing operations	\$ 0.03	\$ 0.10	\$ 0.90	\$ 0.81
Discontinued operations	0.01	—	0.03	—
<b>Basic Earnings Per Share</b>	\$ 0.04	\$ 0.10	\$ 0.93	\$ 0.81
<b>Diluted Earnings Per Share (\$)</b>				
Continuing operations	\$ 0.03	\$ 0.10	\$ 0.90	\$ 0.81
Discontinued operations	0.01	—	0.03	—
<b>Diluted Earnings Per Share</b>	\$ 0.04	\$ 0.10	\$ 0.93	\$ 0.81
<b>Dividends Declared Per Common Share (\$)</b>	\$ 0.23	\$ 0.23	\$ 0.92	\$ 0.92
<b>Basic Average Common Shares Outstanding (millions)</b>	273.9	272.5	273.8	272.4
<b>Diluted Average Common Shares (millions)</b>	274.7	273.3	274.7	273.2



**NiSource Inc.**  
Consolidated Balance Sheets  
*( unaudited )*

<i>(in millions)</i>	September 30, 2007	December 31, 2006
<b>ASSETS</b>		
<b>Property, Plant and Equipment</b>		
Utility Plant	\$ 17,345.8	\$ 17,194.9
Accumulated depreciation and amortization	(7,813.4)	(7,850.0)
Net utility plant	9,532.4	9,344.9
Other property, at cost, less accumulated depreciation	338.7	349.6
<b>Net Property, Plant and Equipment</b>	<b>9,871.1</b>	<b>9,694.5</b>
<b>Investments and Other Assets</b>		
Assets of discontinued operations and assets held for sale	50.2	43.0
Unconsolidated affiliates	59.1	59.6
Other investments	119.8	116.1
<b>Total Investments and Other Assets</b>	<b>229.1</b>	<b>218.7</b>
<b>Current Assets</b>		
Cash and cash equivalents	17.7	33.1
Restricted cash	96.0	142.5
Accounts receivable (less reserve of \$31.4 and \$42.1, respectively)	571.5	866.3
Gas inventory	679.6	550.5
Underrecovered gas and fuel costs	99.0	163.2
Materials and supplies, at average cost	91.9	89.0
Electric production fuel, at average cost	56.7	63.9
Price risk management assets	114.4	237.7
Exchange gas receivable	223.7	252.3
Regulatory assets	252.1	272.7
Prepayments and other	66.2	111.7
<b>Total Current Assets</b>	<b>2,268.8</b>	<b>2,782.9</b>
<b>Other Assets</b>		
Price risk management assets	10.6	49.9
Regulatory assets	1,014.7	1,127.3
Goodwill	3,677.3	3,677.3
Intangible assets	425.5	435.7
Deferred charges and other	154.3	170.2
<b>Total Other Assets</b>	<b>5,282.4</b>	<b>5,460.4</b>
<b>Total Assets</b>	<b>\$ 17,651.4</b>	<b>\$ 18,156.5</b>

**NiSource Inc.**  
Consolidated Balance Sheets (continued)  
(unaudited)

<i>(in millions, except share amounts)</i>	September 30, 2007	December 31, 2006
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization</b>		
Common Stockholders' Equity		
Common stock — \$0.01 par value, 400,000,000 shares authorized; 274,161,140 and 273,654,180 shares issued and outstanding, respectively	\$ 2.7	\$ 2.7
Additional paid-in capital	4,008.9	3,998.3
Retained earnings	1,007.4	1,012.9
Accumulated other comprehensive income	8.5	20.9
Treasury stock	(23.3)	(21.2)
<b>Total Common Stockholders' Equity</b>	<b>5,004.2</b>	<b>5,013.6</b>
Long-term debt, excluding amounts due within one year	5,923.4	5,146.2
<b>Total Capitalization</b>	<b>10,927.6</b>	<b>10,159.8</b>
<b>Current Liabilities</b>		
Current portion of long-term debt	60.9	93.3
Short-term borrowings	673.0	1,193.0
Accounts payable	449.7	713.1
Dividends declared	63.1	—
Customer deposits	108.6	108.4
Taxes accrued	168.1	196.0
Interest accrued	106.8	107.1
Overrecovered gas and fuel costs	46.1	126.7
Price risk management liabilities	91.7	259.4
Exchange gas payable	393.9	396.6
Deferred revenue	42.4	55.9
Regulatory liabilities	79.3	40.7
Accrued liability for postretirement and postemployment benefits	4.8	4.7
Other accruals	417.8	526.3
<b>Total Current Liabilities</b>	<b>2,706.2</b>	<b>3,821.2</b>
<b>Other Liabilities and Deferred Credits</b>		
Price risk management liabilities	17.5	38.2
Deferred income taxes	1,549.4	1,553.7
Deferred investment tax credits	55.5	61.5
Deferred credits	119.7	119.3
Deferred revenue	2.6	21.9
Accrued liability for postretirement and postemployment benefits	619.2	799.5
Liabilities of discontinued operations and liabilities held for sale	6.2	11.9
Regulatory liabilities and other removal costs	1,319.7	1,253.8
Asset retirement obligations	136.9	131.6
Other noncurrent liabilities	190.9	184.1
<b>Total Other Liabilities and Deferred Credits</b>	<b>4,017.6</b>	<b>4,175.5</b>
<b>Commitments and Contingencies</b>	<b>—</b>	<b>—</b>
<b>Total Capitalization and Liabilities</b>	<b>\$ 17,651.4</b>	<b>\$ 18,156.5</b>

**NiSource Inc.**  
Other Information  
( *unaudited* )

<i>(in millions, except share amounts)</i>	September 30, 2007	December 31, 2006
<b>Total Common Stockholders' Equity</b>	<b>\$ 5,004.2</b>	<b>\$ 5,013.6</b>
Shares Outstanding (thousands)	274,161	273,654
Book Value of Common Shares	<b>\$ 18.25</b>	<b>\$ 18.32</b>

**NiSource Inc.**  
**Statements of Consolidated Cash Flow**  
*( unaudited )*

Nine Months Ended September 30, <i>(in millions)</i>	2007	2006
<b>Operating Activities</b>		
Net income	\$ 254.4	\$ 219.7
Adjustments to reconcile net income to net cash from continuing operations:		
Loss on early redemption of preferred stock	—	0.7
Depreciation and amortization	419.4	411.3
Net changes in price risk management assets and liabilities	0.1	50.4
Deferred income taxes and investment tax credits	(22.2)	(129.4)
Deferred revenue	(32.6)	(36.0)
Stock compensation expense	2.7	4.4
Gain on sale of assets	(0.3)	(1.1)
Loss on impairment of assets	10.1	4.7
Cumulative effect of change in accounting principle, net of taxes	—	(0.4)
Income from unconsolidated affiliates	(11.6)	(4.2)
Gain on disposition of discontinued operations — net of taxes	(6.9)	(0.4)
Loss (Income) from discontinued operations — net of taxes	(0.4)	2.2
Amortization of discount/premium on debt	5.5	5.8
AFUDC Equity	(3.0)	—
Changes in assets and liabilities:		
Accounts receivable	289.3	785.1
Inventories	(124.8)	(189.7)
Accounts payable	(239.0)	(397.9)
Customer deposits	0.2	3.0
Taxes accrued	(27.9)	(94.3)
Interest accrued	4.9	25.3
(Under) Overrecovered gas and fuel costs	(16.3)	470.4
Exchange gas receivable/payable	(7.6)	(159.7)
Other accruals	(77.3)	(67.9)
Prepayments and other current assets	45.4	38.8
Regulatory assets/liabilities	24.9	(62.0)
Postretirement and postemployment benefits	(87.4)	(1.5)
Deferred credits	0.5	(12.7)
Deferred charges and other noncurrent assets	(0.8)	2.7
Other noncurrent liabilities	(0.7)	(0.2)
<b>Net Operating Activities from Continuing Operations</b>	<b>398.6</b>	<b>867.1</b>
<b>Net Operating Activities from Discontinued Operations</b>	<b>0.3</b>	<b>4.7</b>
<b>Net Cash Flows from Operating Activities</b>	<b>398.9</b>	<b>871.8</b>
<b>Investing Activities</b>		
Capital expenditures	(519.8)	(405.7)
Proceeds from disposition of assets	2.3	17.2
Restricted cash	46.5	(174.7)
Other investing activities	24.5	(3.7)
<b>Net Cash Flows used for Investing Activities</b>	<b>(446.5)</b>	<b>(566.9)</b>
<b>Financing Activities</b>		
Issuance of long-term debt	802.7	—
Retirement of long-term debt	(67.2)	(43.8)
Change in short-term debt	(520.0)	(37.0)
Retirement of preferred stock	—	(81.1)
Issuance of common stock	7.9	5.6
Acquisition of treasury stock	(2.1)	(6.0)
Dividends paid — common stock	(189.1)	(189.2)
<b>Net Cash Flows from (used for) Financing Activities</b>	<b>32.2</b>	<b>(351.5)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(15.4)</b>	<b>(46.6)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>33.1</b>	<b>69.4</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 17.7</b>	<b>\$ 22.8</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest	\$ 299.3	\$ 261.2
Interest capitalized	12.1	7.4
Cash paid for income taxes	149.7	245.1





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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant To Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 16, 2007

**NiSource Inc.**

(Exact name of registrant as specified in its charter)

Commission file number 001-16189

<u>Delaware</u> (State or other jurisdiction of incorporation or organization)	<u>35-2108964</u> (I.R.S. Employer Identification No.)
<u>801 East 86th Avenue Merrillville, Indiana</u> (Address of principal executive offices)	<u>46410</u> (Zip Code)

Registrant's telephone number, including area code (877) 647-5990

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 8.01 OTHER EVENTS

*On October 16, 2007, Northern Indiana Public Service Company (NIPSCO) announced that it has reached an agreement with the Office of Utility Consumer Counselor (OUCC), LaPorte County and a group of NIPSCO industrial customers to resolve a challenge relating to the costs paid by customers for power purchased by NIPSCO. This Settlement Agreement is subject to approval by the Indiana Utility Regulatory Commission. NIPSCO has agreed to pay a one-time refund to customers of \$33.5 million to resolve a dispute relating to power purchased from January 1, 2006 through September 30, 2007. Effective October 1, 2007, NIPSCO will implement a new "benchmarking standard" that will govern the allocation of costs for purchased power. The agreement also contemplates NIPSCO adding additional generating capacity. The benchmark will be adjusted to reflect new capacity additions. Further, the settling parties agree to support NIPSCO's deferral and future recovery of carrying costs and depreciation associated with the acquisition of new generating facilities.*

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SIGNATURES

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 hereunto duly authorized.

NiSource Inc.

\_\_\_\_\_  
(Registrant)

Date: October 17, 2007

By:           /s/ Jeffrey W. Grossman          

Jeffrey W. Grossman  
Vice President and Controller





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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant To Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 28, 2007

**NiSource Inc.**

(Exact name of registrant as specified in its charter)

Commission file number 001-16189

Delaware	35-2108964
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 East 86th Avenue	46410
Merrillville, Indiana	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code (877) 647-5990

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  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))
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BALANCE SHEET ARRANGEMENT OF A REGISTRANT  
ITEM 5.02. DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS;  
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Press Release

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### ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

A. NiSource Inc. (the "Company") and NiSource Finance Corp. ("NiSource Finance") and Banc of America Securities LLC, BNP Paribas Securities Corp. and Deutsche Bank Securities Inc., acting for themselves and as representatives of the other several underwriters (the "Underwriters"), have entered into a Terms Agreement, dated August 28, 2007 (the "Terms Agreement"), pursuant to which, subject to the satisfaction of the conditions set forth in the Underwriting Agreement (as defined below), NiSource Finance has agreed to sell to the Underwriters, and the Underwriters have agreed to purchase from NiSource Finance, \$800,000,000 aggregate principal amount of NiSource Finance's 6.40% Notes Due 2018 (the "Notes") unconditionally guaranteed by the Company. The Terms Agreement incorporates by reference the terms and conditions of an Underwriting Agreement, dated August 28, 2007 (the "Underwriting Agreement"), of the Company with respect to common stock, preferred stock and guarantees of debt securities and of NiSource Finance with respect to debt securities. The Notes will be issued pursuant to, and in accordance with, the terms of the Indenture, dated as of November 14, 2000, as supplemented (the "Indenture"), among the Company, NiSource Finance and The Bank of New York, the successor to JPMorgan Chase Bank, N.A. formerly known as The Chase Manhattan Bank, as trustee. The terms of the Notes are as set forth in the Indenture and in the form of global note that will represent the Notes. The Company and NiSource Finance are offering and selling the Notes under their Registration Statement on Form S-3 (File Nos. 333-107421 and 333-107421-01).

The Company and the Underwriters expect to consummate the sale and purchase of the Notes on August 31, 2007. The Notes will bear interest at a fixed rate equal to 6.40% per year, payable semi-annually, and mature on March 15, 2018. The Notes will be sold to the public at an aggregate issue price of 99.905% of the principal amount thereof (\$799,240,000 in proceeds before underwriting commissions and transaction expenses). The net proceeds to NiSource Finance from the sale of the Notes, after the underwriting discount, but before transaction expenses of the sale of the Notes, will be \$794,040,000. Following the issuance of the Notes, NiSource Finance may redeem the Notes, in whole or part, from time to time pursuant to the "make whole" provision set forth in the Indenture and form of global note. The material terms of the Notes are described in the prospectus supplement of the Company and NiSource Finance dated August 28, 2007, which relates to the offer and sale of the Notes (the "Prospectus Supplement"), and the Company and NiSource Finance's prospectus dated August 7, 2003, which prospectus relates to the offer and sale from time to time of certain of the Company's and NiSource Finance's securities (the "Prospectus"). The Prospectus Supplement, together with the Prospectus, was filed by the Company and NiSource Finance with the Securities and Exchange Commission (the "Commission") on August 28, 2007 pursuant to Rule 424(b)(5) under the U.S. Securities Act of 1933, as amended (the "Securities Act"). A Pricing Term Sheet, dated August 28, 2007, relating to the Notes was filed with the Commission pursuant to Rule 433 under the Securities Act on August 28, 2007. The Underwriting Agreement contains customary representations, warranties and agreements of the Company and NiSource Finance, conditions to closing and indemnification rights and obligations of the parties.

The above description of the Underwriting Agreement and the Notes is qualified in its entirety by reference to the Underwriting Agreement and the form of global note representing the Notes, which are filed as exhibits 1.1 and 4.1 and are incorporated herein by reference.

B. On August 29, 2007, Millennium Pipeline Company, L.L.C. ("Millennium"), in which the Company indirectly owns a 47.5% interest, entered into an \$800 million revolving credit facility ("Credit Agreement") to fund the construction of its 186-mile natural gas pipeline from Corning to Ramapo, N.Y., for the transportation of natural gas to N.Y. and the northeastern United States. In support of the Credit Agreement, on August 29, 2007, the Company entered into a guaranty with JPMorgan Chase Bank, N.A., as administrative agent under the Credit Agreement, ("Guaranty") under which the Company guaranteed a portion of the credit facility equal to its ownership interest in Millennium. The preceding description of the Guaranty is qualified in its entirety by reference to the Guaranty, which is filed as exhibit 10.1 and is incorporated herein by reference.

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### ITEM 2.03. CREATION OF A DIRECT OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.

The information set forth under Item 1.01 above with respect to the Notes and the Guaranty is hereby incorporated by reference into this Item 2.03, insofar as it relates to the creation of a direct financial obligation.

### ITEM 5.02. DEPARTURE OF DIRECTORS OR CERTAIN OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF CERTAIN OFFICERS; COMPENSATORY ARRANGMENTS OF CERTAIN OFFICERS.

At a meeting of the Board of Directors on August 28, 2007, the Company's Board of Directors, upon the recommendation of the Company's Governance Committee, appointed Ms. Deborah S. Coleman to fill a vacancy created by the previously announced resignation of Mr. Peter McCausland. The Board of Directors has determined that Ms. Coleman will serve on the following committees: Environmental Health & Safety; Corporate Governance; and Nomination & Compensation. Ms. Coleman will be compensated for her service as a director under the Company's standard plans for non-employee directors, including participating in the Company's stock incentive plan for non-employee directors, under which she received 1,745.31 phantom stock units upon her appointment.

A copy of the press release announcing the appointment of Ms. Coleman and including additional information regarding her background and experience is attached hereto as exhibit 99.1.

### ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

#### (d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
1.1	Underwriting Agreement by NiSource Inc. and NiSource Finance Corp.
4.1	Form of Note.
10.1	Guaranty of NiSource Inc. in favor of JPMorgan Chase Bank, N.A., as administrative agent.
99.1	Press release issued on August 29, 2007.

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SIGNATURES

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 hereunto duly authorized.

Date: August 30, 2007

NiSource Inc.  
\_\_\_\_\_  
(Registrant)

By:           /s/ Jeffrey W. Grossman            
          Jeffrey W. Grossman  
          Vice President and Controller

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EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
1.1	Underwriting Agreement by NiSource Inc. and NiSource Finance Corp.
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99.1	Press release issued on August 29, 2007

\$857,005,000  
**NISOURCE INC.**  
**Common Stock**  
**Preferred Stock**  
**Guarantees of Debt Securities**  
**NISOURCE FINANCE CORP.**  
**Debt Securities**  
**Fully and Unconditionally Guaranteed as to Payment of Principal, Premium**  
**(if any) and Interest (if any) by**  
**NiSource Inc.**

**UNDERWRITING AGREEMENT**

1. *Introductory*. NiSource Inc., a Delaware corporation (“**NiSource**”), proposes to issue and sell from time to time certain of its common stock, par value \$.01 per share (“**Common Stock**”) and preferred stock, and to issue guarantees of the debt securities issued from time to time by NiSource Finance Corp. as described herein, and NiSource Finance Corp., an Indiana corporation and a wholly owned subsidiary of NiSource (“**NiSource Finance**”), proposes to issue and sell from time to time certain of its unsecured debt securities, in each case registered under the registration statement referred to in Section 2(a) (“**Registered Securities**”).

The Registered Securities constituting debt securities will be issued under an indenture, dated as of November 14, 2000 (“**Indenture**”), among NiSource Finance, NiSource and The Bank of New York (as successor to JPMorgan Chase Bank, N.A. (formerly known as The Chase Manhattan Bank)), as Trustee, in one or more series, which series may vary as to interest rates, maturities, redemption provisions, selling prices and other terms. The Registered Securities constituting debt securities will be guaranteed as to principal, premium, if any, interest, if any, and additional amounts, if any, by NiSource pursuant to the guarantee set forth in the Indenture, which guarantee will be endorsed on each debt security, authenticated and delivered pursuant to the Indenture (the “**Guarantee**” and, collectively, the “**Guarantees**”).

The Registered Securities constituting preferred stock may be issued in one or more series, which series may vary as to dividend rates, redemption provisions, selling prices and other terms.

Particular series or offerings of Registered Securities will be sold pursuant to a Terms Agreement referred to in Section 3, for resale in accordance with terms of offering determined at the time of sale.

The Registered Securities involved in any such offering are hereinafter referred to as the “**Offered Securities**.” The firm or firms which agree to purchase the Offered Securities are hereinafter referred to as the “**Underwriters**” of such securities, and the representative or representatives of the Underwriters, if any, specified in a Terms Agreement referred to in Section 3 are hereinafter referred to as the “**Representatives**”; provided, however, that if the Terms Agreement does not specify any representative of the Underwriters, the term “**Representatives**,” as used in this Agreement (other than in Sections 2(c), 3, 5(b), 5(c), 5(f), 6(d) and 7, the first use of such term in Section 5 (g) and the last use of such term in Section 4(d)), shall mean the Underwriters.

2. *Representations and Warranties of NiSource and NiSource Finance*. NiSource and NiSource Finance, as of the date of each Terms Agreement referred to in Section 3, represent and warrant to, and agree with, the Underwriters that:



(a) A registration statement (No. 333-107421), including a prospectus, relating to the Registered Securities has been filed with the Securities and Exchange Commission (“ **Commission** ”) and has become effective. Such registration statement, as used with respect to a series of Offered Securities, including the information deemed a part thereof pursuant to Rule 430B(f)(1) under the Securities Act of 1933, as amended (the “ **Act** ”), on the date of such registration statement’s effectiveness for purposes of Section 11 of the Act, as such Section applies to NiSource, NiSource Finance and the Underwriters for the Offered Securities pursuant to Rule 430B(f)(2) under the Act (the “ **Effective Date** ”), including the exhibits thereto and all documents incorporated by reference therein pursuant to Item 12 of Form S-3 at the Effective Date, is hereinafter referred to as the “ **Registration Statement** ”; the base prospectus relating to the Registered Securities in the form in which it has most recently been filed with the Commission on or prior to the date of the Terms Agreement relating to each series of Offered Securities being herein called the “ **Basic Prospectus** ”; the Basic Prospectus as amended and supplemented by a preliminary prospectus supplement relating to each series of Offered Securities and as further amended and supplemented immediately prior to the Applicable Time (as so defined in the Terms Agreement relating to each series of Offered Securities) is hereinafter called the “ **Pricing Prospectus** ”; the Basic Prospectus as amended or supplemented in final form, which is filed with the Commission pursuant to Rule 424(b) under the Act with respect to each series of Offered Securities is hereinafter called the “ **Final Supplemented Prospectus** ”; any reference herein to the Basic Prospectus, any Pricing Prospectus or any Final Supplemented Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such Basic Prospectus, Pricing Prospectus or Final Supplemented Prospectus, as the case may be; any reference to any amendment or supplement to the Basic Prospectus, any Pricing Prospectus or any Final Supplemented Prospectus shall be deemed to refer to and include any documents filed after the date of such Basic Prospectus, Pricing Prospectus or Final Supplemented Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the “ **1934 Act** ”), and incorporated by reference in such Basic Prospectus, Pricing Prospectus or Final Supplemented Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of NiSource filed pursuant to Section 13(a) or 15(d) of the 1934 Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement.

For purposes of this Agreement, the documents listed in the Terms Agreement under the caption, “Pricing Disclosure Package,” taken together, are referred to as the “ **Pricing Disclosure Package** .”

(b) The documents incorporated by reference in the Registration Statement or the Pricing Prospectus, when they were filed with the Commission, complied in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder, and as of such time of filing, when read together with the Pricing Prospectus and any Permitted Free Writing Prospectus (as defined below), none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Final Supplemented Prospectus or any further amendment or supplement thereto, when such documents are filed with the Commission, will comply in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder and, when read together with the Final Supplemented Prospectus as it otherwise may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(c) The Registration Statement complies and the Final Supplemented Prospectus will comply, and any further amendments or supplements thereto, when any such amendments become effective or supplements are filed with the Commission, as the case may be, will comply, in all

material respects with the applicable provisions of the Act, the 1934 Act, the Trust Indenture Act of 1939, as amended (“**Trust Indenture Act**”), and the general rules and regulations of the Commission thereunder and the Registration Statement, the Pricing Disclosure Package and the Final Supplemented Prospectus do not and will not, (i) as of the Effective Date as to the Registration Statement and any amendment thereto, (ii) as of the Applicable Time as to the Pricing Disclosure Package and (iii) as of the date of the Final Supplemented Prospectus as to the Final Supplemented Prospectus or as of the date when any supplement is filed as to the Final Supplemented Prospectus as further supplemented, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in the case of the Registration Statement and any amendment thereto, and, in the light of the circumstances under which they were made, not misleading in the case of the Pricing Disclosure Package and the Final Supplemented Prospectus as further supplemented; except that neither NiSource nor NiSource Finance makes any representations or warranties with respect to (A) that part of the Registration Statement which shall constitute the Statements of Eligibility (Form T-1) under the Trust Indenture Act or (B) statements or omissions made in a Permitted Free Writing Prospectus, the Registration Statement, the Pricing Prospectus or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to NiSource and NiSource Finance by the Underwriters through the Representatives expressly for use therein.

Each Permitted Free Writing Prospectus does not include anything that conflicts with the information contained in the Registration Statement, the Pricing Prospectus or the Final Supplemented Prospectus and each such Permitted Free Writing Prospectus, as supplemented by and taken together with the Pricing Disclosure Package as of the Applicable Time, will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that NiSource and NiSource Finance make no representation or warranty with respect to any statement or omissions made in a Permitted Free Writing Prospectus in reliance upon and in conformity with information furnished in writing to either NiSource or NiSource Finance by the Underwriters through the Representatives expressly for use therein.

(d) NiSource has been duly incorporated and is a validly existing corporation in good standing under the laws of the State of Delaware, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Disclosure Package and the Final Supplemented Prospectus; and NiSource is duly qualified to transact business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction.

(e) NiSource Finance has been duly incorporated and is a validly existing corporation in good standing under the laws of the State of Indiana, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Disclosure Package and the Final Supplemented Prospectus; and NiSource Finance is duly qualified to transact business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction; all of the issued and outstanding capital stock of NiSource Finance has been duly authorized and validly issued and is fully paid and nonassessable; and the capital stock of NiSource Finance is owned by NiSource free from liens, encumbrances and defects.

(f) Each significant subsidiary (as defined in Rule 405 under the Act) of NiSource (each direct and indirect significant subsidiary of NiSource other than NiSource Finance being hereinafter referred to as a “**Significant Subsidiary**” and all such direct and indirect significant subsidiaries of NiSource other than NiSource Finance being hereinafter referred to collectively as the “**Significant Subsidiaries**”), has been duly incorporated and is a validly existing corporation in good standing under the laws of the jurisdiction of its incorporation, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing

Disclosure Package and the Final Supplemental Prospectus; and each Significant Subsidiary is duly qualified to do business as a foreign corporation in good standing in all other jurisdictions in which its ownership or lease of property or the conduct of its business requires such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction; all of the issued and outstanding capital stock of each Significant Subsidiary has been duly authorized and validly issued and is fully paid and nonassessable; and except as otherwise disclosed in the Pricing Disclosure Package and the Final Supplemental Prospectus, all of the capital stock of each Significant Subsidiary is owned by NiSource, directly or through subsidiaries, free from liens, encumbrances and defects.

(g) If the Offered Securities are debt securities issued by NiSource Finance and guaranteed by NiSource: The Indenture has been duly authorized, executed and delivered by each of NiSource and NiSource Finance and has been duly qualified under the Trust Indenture Act; the Offered Securities which are debt securities have been duly authorized by NiSource Finance; the Offered Securities which are Guarantees have been duly authorized by NiSource; and when the Offered Securities are delivered and paid for pursuant to the Terms Agreement on the Closing Date (as defined below) or pursuant to Delayed Delivery Contracts (as defined below), such Offered Securities will have been duly executed, authenticated, issued and delivered and will conform to the descriptions thereof contained in the Pricing Disclosure Package and the Final Supplemental Prospectus and the Indenture and such Offered Securities which are debt securities will constitute valid and legally binding obligations of NiSource Finance, and such Offered Securities which are Guarantees of such debt securities will constitute valid and legally binding obligations of NiSource, in each case, enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Indenture will conform to the descriptions thereof contained in the Pricing Disclosure Package and the Final Supplemental Prospectus.

(h) If the Offered Securities are preferred stock: The Offered Securities have been duly authorized and, when the Offered Securities have been delivered and paid for in accordance with the Terms Agreement on the Closing Date, such Offered Securities will have been validly issued, fully paid and nonassessable and will conform to the descriptions thereof contained in the Pricing Disclosure Package and the Final Supplemental Prospectus; and the stockholders of NiSource have no preemptive rights with respect to the Offered Securities.

(i) If the Offered Securities are Common Stock: The Offered Securities and all other outstanding shares of capital stock of NiSource have been duly authorized; all outstanding shares of capital stock of NiSource are, and, when the Offered Securities have been delivered and paid for in accordance with the Terms Agreement on the Closing Date, such Offered Securities will have been validly issued, fully paid and nonassessable and will conform to the descriptions thereof contained in the Pricing Disclosure Package and the Final Supplemental Prospectus; and the stockholders of NiSource have no preemptive rights with respect to the Offered Securities.

(j) If the Offered Securities are convertible into Common Stock: When the Offered Securities are delivered and paid for pursuant to the Terms Agreement on the Closing Date, such Offered Securities will be convertible into Common Stock of NiSource in accordance with their terms (if the Offered Securities are preferred stock) or the Indenture (if the Offered Securities are debt securities); the shares of Common Stock initially issuable upon conversion of such Offered Securities have been duly authorized and reserved for issuance upon such conversion and, when issued upon such conversion, will be validly issued, fully paid and nonassessable; the outstanding shares of Common Stock have been duly authorized and validly issued, are fully paid and nonassessable and conform to the descriptions thereof contained in the Pricing Disclosure Package and the Final Supplemental Prospectus; and the stockholders of NiSource have no preemptive rights with respect to the Common Stock issuable upon conversion of the Offered Securities.

(k) If the Offered Securities are Common Stock or are convertible into Common Stock: Except as disclosed in the Pricing Disclosure Package and the Final Supplemented Prospectus, there are no contracts, agreements or understandings between NiSource or NiSource Finance and any person that would give rise to a valid claim against NiSource, NiSource Finance or any Underwriter for a brokerage commission, finder's fee or other like payment in connection with the sale of the Offered Securities.

(l) If the Offered Securities are Common Stock or are convertible into Common Stock: There are no contracts, agreements or understandings between NiSource or NiSource Finance and any person granting such person the right to require NiSource or NiSource Finance to file a registration statement under the Act with respect to any securities of NiSource or NiSource Finance owned or to be owned by such person or to require NiSource or NiSource Finance to include such securities with the securities registered pursuant to the Registration Statement or with any securities being registered pursuant to any other registration statement filed by NiSource or NiSource Finance under the Act.

(m) If the Offered Securities are Common Stock or are convertible into Common Stock: The outstanding shares of Common Stock are listed on The New York Stock Exchange (the "**Stock Exchange**") and the Offered Securities (if they are Common Stock) or the Common Stock into which the Offered Securities are convertible (if they are convertible) have been approved for listing on the Stock Exchange, subject to notice of issuance. If the Offered Securities are debt securities or preferred stock: The Offered Securities have been approved for listing on the stock exchange indicated in the Terms Agreement, subject to notice of issuance.

(n) No consent, approval, authorization, or order of, or filing with, any governmental agency or body or any court is required for the consummation of the transactions contemplated by the Terms Agreement (including the provisions of this Agreement) in connection with the issuance and sale of the Offered Securities by NiSource and/or NiSource Finance, as the case may be, except such as have been obtained and made under the Act and, if the Offered Securities are debt securities, the Trust Indenture Act, and such as may be required under the Federal Power Act, and under state securities laws.

(o) The execution, delivery and performance of the Indenture (if the Offered Securities are debt securities) did not, and the execution, delivery and performance of the Terms Agreement (including the provisions of this Agreement) and any Delayed Delivery Contracts and the issuance and sale of the Offered Securities and, if the Offered Securities are debt securities issued by NiSource Finance and guaranteed by NiSource or preferred stock, compliance with the terms and provisions thereof will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, (i) the charter or by-laws of NiSource, NiSource Finance or any subsidiary of NiSource (each direct and indirect subsidiary of NiSource other than NiSource Finance being hereinafter referred to as a "**Subsidiary**" and all such direct and indirect subsidiaries of NiSource other than NiSource Finance being hereinafter referred to collectively as the "**Subsidiaries**"), (ii) any statute or any rule, regulation or order of any governmental agency or body or any court, domestic or foreign, having jurisdiction over NiSource, NiSource Finance or any Subsidiary or any of their properties, or (iii) any agreement or instrument to which NiSource, NiSource Finance or any Subsidiary is a party or by which NiSource, NiSource Finance or any Subsidiary is bound or to which any of the properties of NiSource, NiSource Finance or any Subsidiary is subject, except in the case of clauses (ii) and (iii) where such violation, breach or default would not, individually or in the aggregate, have a material adverse effect on the condition (financial or other), business, properties or results of operations of NiSource, NiSource Finance and the Subsidiaries taken as a whole ("**Material Adverse Effect**") and would not materially and adversely affect the ability of either NiSource or NiSource Finance to perform its obligations under the Indenture (if the Offered Securities are debt securities issued by NiSource Finance and guaranteed by NiSource), the Terms Agreement (including the provisions of this Agreement) or any Delayed Delivery Contracts, or which would otherwise be material in the context of the sale of the Offered Securities; and each of NiSource and NiSource Finance has full power and

authority to authorize, issue and sell the Offered Securities as contemplated by the Terms Agreement (including the provisions of this Agreement).

(p) The Terms Agreement (including the provisions of this Agreement) and, if the Offered Securities are debt securities or preferred stock, any Delayed Delivery Contracts have each been duly authorized, executed and delivered by NiSource and/or NiSource Finance, as the case may be.

(q) Except as disclosed in the Pricing Disclosure Package and the Final Supplemented Prospectus, NiSource, NiSource Finance and the Subsidiaries have good and marketable title to all real properties and all other properties and assets owned by them, in each case free from liens, encumbrances and defects that would materially interfere with the use made or to be made thereof by them or would, individually or in the aggregate, have a Material Adverse Effect; and except as disclosed in the Pricing Disclosure Package and the Final Supplemented Prospectus, NiSource, NiSource Finance and the Subsidiaries hold any leased real or personal property under valid and enforceable leases with no exceptions that would materially interfere with the use made or to be made thereof by them or would, individually or in the aggregate, have a Material Adverse Effect.

(r) NiSource, NiSource Finance and the Subsidiaries possess adequate certificates, authorities or permits issued by appropriate governmental agencies or bodies necessary to conduct the business now operated by them and have not received any notice of proceedings relating to the revocation or modification of any such certificate, authority or permit that, if determined adversely to NiSource, NiSource Finance or any of the Subsidiaries would, individually or in the aggregate, have a Material Adverse Effect.

(s) Except as disclosed in the Pricing Disclosure Package and the Final Supplemented Prospectus, none of NiSource, NiSource Finance or any Significant Subsidiary has any material contingent liability.

(t) Except as disclosed in the Pricing Disclosure Package and the Final Supplemented Prospectus, there are no pending actions, suits, proceedings or investigations against or affecting NiSource, NiSource Finance or any Subsidiary or any of their respective properties, assets or operations that could, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect or to affect materially and adversely the ability of either NiSource or NiSource Finance to perform its obligations under the Indenture (if the Offered Securities are debt securities issued by NiSource Finance and guaranteed by NiSource), the Terms Agreement (including the provisions of this Agreement) or any Delayed Delivery Contracts, or which are otherwise material in the context of the sale of the Offered Securities; and no such actions, suits, proceedings or investigations are threatened or, to the knowledge of NiSource or NiSource Finance, contemplated.

(u) The financial statements of NiSource included or incorporated by reference in the Registration Statement, the Pricing Prospectus and the Final Supplemented Prospectus present fairly the financial position of the entity presented and its consolidated subsidiaries as of the dates shown and their results of operations and cash flows for the periods shown, and, except as otherwise disclosed in the Pricing Disclosure Package and the Final Supplemented Prospectus, such financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis with all other financial statements presented for such entity; any schedules included or incorporated by reference in the Registration Statement, Pricing Prospectus and the Final Supplemented Prospectus present fairly the information required to be stated therein.

(v) Except as disclosed in the Pricing Disclosure Package and the Final Supplemented Prospectus, since the date of the latest audited financial statements included or incorporated by reference in the Pricing Disclosure Package and the Final Supplemented Prospectus there has been no material adverse change, nor any development or event involving a prospective material

adverse change, in the condition (financial or other), business, properties or results of operations of NiSource, NiSource Finance and the Subsidiaries taken as a whole, and, except as disclosed in or contemplated by the Pricing Disclosure Package and the Final Supplemented Prospectus, there has been no dividend or distribution of any kind declared, paid or made by either NiSource or NiSource Finance on any class of its capital stock.

(w) Neither NiSource nor NiSource Finance is and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the Pricing Disclosure Package and the Final Supplemented Prospectus, neither will be an “investment company” as defined in the Investment Company Act of 1940, as amended.

(x) Neither NiSource, NiSource Finance nor any affiliate of either of them does business with the government of Cuba or with any person or affiliate located in Cuba within the meaning of Section 517.075, Florida Statutes and each of NiSource and NiSource Finance agrees to comply with such Section if prior to the completion of the distribution of the Offered Securities it commences doing such business.

(y) At the determination date for purposes of the Offered Securities within the meaning of Rule 164(h) under the Act, each of NiSource and NiSource Finance was not an “ineligible issuer” as defined in Rule 405 under the Act.

(z) NiSource maintains a system of “disclosure controls and procedures” (as defined in Rule 13a-15(e) of the 1934 Act) that is designed to ensure that information required to be disclosed by NiSource in reports that it files or submits under the 1934 Act is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms, including controls and procedures designed to ensure that such information is accumulated and communicated to NiSource’s management as appropriate to allow timely decisions regarding required disclosure. NiSource has carried out evaluations of the effectiveness of their disclosure controls and procedures as required by Rule 13a-15 of the 1934 Act.

(aa) NiSource maintains a system of “internal control over financial reporting” (as defined in Rule 13a-15(f) of the 1934 Act) that comply with the requirements of the 1934 Act and have been designed by, or under the supervision of, its principal executive and principal financial officers, or persons performing similar functions, 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, including, but not limited to, internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management’s general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

3. *Purchase and Offering of Offered Securities* . The obligations of the Underwriters to purchase the Offered Securities will be evidenced by an agreement or exchange of other written communications (“**Terms Agreement**”) at the time NiSource and/or NiSource Finance, as the case may be, determines to sell the Offered Securities. The Terms Agreement will incorporate by reference the provisions of this Agreement, except as otherwise provided therein, and will specify the firm or firms which will be Underwriters, the names of the Representatives, the principal amount or number of shares to be purchased by each Underwriter, the purchase price to be paid by the Underwriters and (if the Offered Securities are debt securities or preferred stock) the terms of the Offered Securities not already specified (in the Indenture, in the case of Offered Securities that are debt securities), including, but not limited to, interest rate (if debt securities), dividend rate (if preferred stock), maturity (if debt securities), any redemption provisions and any sinking fund requirements and whether any of the Offered Securities may be sold to institutional investors pursuant to Delayed Delivery Contracts. The Terms Agreement will also specify the

time and date of delivery and payment (such time and date, or such other time not later than seven full business days thereafter as the Underwriter first named in the Terms Agreement (the “**Lead Underwriter**”) and NiSource and/or NiSource Finance, as the case may be, agree as the time for payment and delivery, being herein and in the Terms Agreement referred to as the “**Closing Date**”), the place of delivery and payment and any details of the terms of offering that should be reflected in the Pricing Prospectus. For purposes of Rule 15c6-1 under the 1934 Act, the Closing Date (if later than the otherwise applicable settlement date) shall be the date for payment of funds and delivery of securities for all the Offered Securities sold pursuant to the offering, other than Contract Securities (as defined below) for which payment of funds and delivery of securities shall be as hereinafter provided. The obligations of the Underwriters to purchase the Offered Securities will be several and not joint. It is understood that the Underwriters propose to offer the Offered Securities for sale as set forth in the Pricing Disclosure Package and the Final Supplemented Prospectus.

If the Terms Agreement provides for sales of Offered Securities pursuant to delayed delivery contracts, NiSource and/or NiSource Finance, as the case may be, authorize the Underwriters to solicit offers to purchase Offered Securities pursuant to delayed delivery contracts substantially in the form of Annex I attached hereto (“**Delayed Delivery Contracts**”) with such changes therein as NiSource and/or NiSource Finance, as the case may be, may authorize or approve. Delayed Delivery Contracts are to be with institutional investors, including commercial and savings banks, insurance companies, pension funds, investment companies and educational and charitable institutions. On the Closing Date NiSource and/or NiSource Finance will pay, as compensation, to the Representatives for the accounts of the Underwriters, the fee set forth in such Terms Agreement in respect of the principal amount or number of shares of Offered Securities to be sold pursuant to Delayed Delivery Contracts (“**Contract Securities**”). The Underwriters will not have any responsibility in respect of the validity or the performance of Delayed Delivery Contracts. If NiSource and/or NiSource Finance execute and deliver Delayed Delivery Contracts, the Contract Securities will be deducted from the Offered Securities to be purchased by the several Underwriters and the aggregate principal amount or number of shares of Offered Securities to be purchased by each Underwriter will be reduced pro rata in proportion to the principal amount or number of shares of Offered Securities set forth opposite each Underwriter’s name in such Terms Agreement, except to the extent that the Lead Underwriter determines that such reduction shall be otherwise than pro rata and so advises NiSource and/or NiSource Finance. NiSource and/or NiSource Finance will advise the Lead Underwriter not later than the business day prior to the Closing Date of the principal amount or number of shares of Contract Securities.

If the Offered Securities are preferred stock or Common Stock, the certificates for the Offered Securities delivered to the Underwriters on the Closing Date will be in definitive fully registered form, and if the Offered Securities are debt securities, the Offered Securities delivered to the Underwriters on the Closing Date will be in definitive fully registered form, in each case in such denominations and registered in such names as the Lead Underwriter requests.

If the Offered Securities are debt securities and the Terms Agreement specifies “Book-Entry Only” settlement or otherwise states that the provisions of this paragraph shall apply, NiSource Finance will deliver against payment of the purchase price the Offered Securities in the form of one or more permanent global securities in definitive form (the “**Global Securities**”) deposited with the Trustee as custodian for The Depository Trust Company (“**DTC**”) and registered in the name of Cede & Co., as nominee for DTC. Interests in any permanent global securities will be held only in book-entry form through DTC, except in the limited circumstances described in the Final Supplemented Prospectus. Payment for the Offered Securities shall be made by the Underwriters in Federal (same day) funds by official check or checks or wire transfer to an account previously designated by NiSource Finance at a bank acceptable to the Lead Underwriter, in each case drawn to the order of NiSource Finance at the place of payment specified in the Terms Agreement on the Closing Date, against delivery to the Trustee as custodian for DTC of the Global Securities representing all of the Offered Securities.

4. *Free Writing Prospectuses.*

(a) NiSource and NiSource Finance represent and agree that, without the prior consent of the Representatives, they have not made and will not make any offer relating to the Offered Securities that would constitute a “free writing prospectus” as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus; each Underwriter, severally and not jointly, represents and agrees that, without the prior consent of NiSource and NiSource Finance and the Representatives, it has not made and will not make any offer relating to the Offered Securities that would constitute a “free writing prospectus” as defined in Rule 405 under the Act, other than a Permitted Free Writing Prospectus or a free writing prospectus that is not required to be filed by NiSource and NiSource Finance pursuant to Rule 433 or one or more free writing prospectuses through customary Bloomberg distribution that do not contain substantive changes from or additions to the information contained in the Permitted Free Writing Prospectus attached to the applicable Terms Agreement; any such free writing prospectus (which shall include the pricing term sheet discussed in Section 4(b) hereof), the use of all of which shall have been consented to by NiSource and NiSource Finance and the Representatives, will be listed in the Terms Agreement and herein called a “**Permitted Free Writing Prospectus** .”

(b) NiSource and NiSource Finance agree to prepare a pricing term sheet, substantially in the form attached to the Terms Agreement, and approved by the Representatives, and to file such pricing term sheet pursuant to Rule 433(d) under the Act within the time period prescribed by such Rule.

(c) NiSource and NiSource Finance and the Representatives have complied and will comply with the requirements of Rule 433 under the Act applicable to any free writing prospectus, including timely Commission filing where required and legending.

(d) NiSource and NiSource Finance agree that if at any time following issuance of a Permitted Free Writing Prospectus any event occurred or occurs as a result of which such Permitted Free Writing Prospectus would conflict with the information in the Registration Statement, the Pricing Prospectus or the Final Supplemented Prospectus or include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances then prevailing, not misleading, NiSource and NiSource Finance will give prompt notice thereof to the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter a free writing prospectus or other document, the use of which has been consented to by the Representatives, which will correct such conflict, statement or omission; provided, however, that this representation and warranty shall not apply to any statements or omissions in a Permitted Free Writing Prospectus made in reliance upon and in conformity with information furnished in writing to NiSource and NiSource Finance by an Underwriter through the Representatives, expressly for use therein.

(e) NiSource and NiSource Finance agree that if there occurs an event or development as a result of which the Pricing Disclosure Package would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances then prevailing, not misleading, NiSource and NiSource Finance will promptly notify the Representatives so that any use of the Pricing Disclosure Package may cease until it is amended or supplemented.

5. *Certain Agreements of NiSource and NiSource Finance* . Each of NiSource and NiSource Finance agrees with the several Underwriters that it will furnish to counsel for the Underwriters, one copy of the executed registration statement relating to the Registered Securities, including all exhibits, in the form in which it became effective and of all amendments thereto and that, in connection with each offering of Offered Securities:

(a) NiSource and NiSource Finance will file the Final Supplemented Prospectus, in a form approved by the Representatives, such approval not to be unreasonably withheld, with the Commission pursuant to and in accordance with Rule 424(b)(2) (or, if applicable, Rule 424(b)(5))



not later than the second business day following the execution and delivery of the Terms Agreement. Furthermore, NiSource and NiSource Finance will make any other required filings pursuant to Rule 433(d)(1) of the Act within the time required by such Rule.

(b) NiSource and NiSource Finance will advise the Representatives or Lead Underwriter, as applicable, promptly of any proposal to amend or supplement the Registration Statement or the Final Supplemented Prospectus and will afford the Representatives or Lead Underwriter, as applicable, a reasonable opportunity to comment on any such proposed amendment or supplement; and NiSource and NiSource Finance will also advise the Representatives or Lead Underwriter, as applicable, promptly of the filing of any such amendment or supplement and of the institution by the Commission of any stop order proceedings in respect of the Registration Statement or of any part thereof and will use its best efforts to prevent the issuance of any such stop order and to obtain as soon as possible its lifting, if issued.

(c) NiSource will comply with the provisions of the Act, the 1934 Act and the rules and regulations of the Commission thereunder so as to permit completion of the distribution of the Offered Securities as contemplated by the applicable Terms Agreement (including the provisions of this Agreement), the Registration Statement, the Pricing Disclosure Package and the Final Supplemented Prospectus. If, at any time when a prospectus relating to the Offered Securities is required to be delivered under the Act (or in lieu thereof, the notice referred to in Rule 173(a) under the Act) in connection with sales by any Underwriter or dealer, any event occurs as a result of which the Final Supplemented Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it is necessary at any time to amend the Final Supplemented Prospectus to comply with the Act, NiSource and NiSource Finance promptly will notify the Representatives or Lead Underwriter, as applicable, of such event and will promptly prepare and file with the Commission, at the expense of NiSource and NiSource Finance, an amendment or supplement which will correct such statement or omission or an amendment which will effect such compliance. Neither the Lead Underwriter's or Representatives', as applicable, consent to, nor the Underwriters' delivery of, any such amendment or supplement shall constitute a waiver of any of the conditions set forth in Section 6 hereof.

(d) As soon as practicable, but not later than 16 months, after the date of each Terms Agreement, NiSource will make generally available to its securityholders an earnings statement covering a period of at least 12 months beginning after the later of (i) the Effective Date of the Registration Statement, (ii) the effective date of the most recent post-effective amendment to the Registration Statement to become effective prior to the date of such Terms Agreement and (iii) the date of NiSource's most recent Annual Report on Form 10-K filed with the Commission prior to the date of such Terms Agreement, which will satisfy the provisions of Section 11(a) of the Act.

(e) NiSource or NiSource Finance will furnish to the Representatives copies of the Registration Statement, including all exhibits, any Pricing Prospectus, any Permitted Free Writing Prospectus, the Final Supplemented Prospectus and all amendments and supplements to such documents, in each case as soon as available and in such quantities as the Lead Underwriter reasonably requests. NiSource or NiSource Finance will pay the expenses of printing and distributing to the Underwriters all such documents.

(f) NiSource or NiSource Finance will arrange for the qualification of the Offered Securities for sale under the laws of such jurisdictions as the Representatives or Lead Underwriter, as applicable, designates and will continue such qualifications in effect so long as required for the distribution, provided that, in connection with such qualification, neither NiSource nor NiSource Finance shall be required to qualify as a foreign corporation or file a general consent to service of process in any such jurisdiction.

(g) During the period of five years after the date of any Terms Agreement, NiSource will furnish to the Representatives and, upon request, to each of the other Underwriters, if any, as soon as practicable after the end of each fiscal year, a copy of its annual report to stockholders for such year; and NiSource will furnish to the Representative (i) as soon as available, a copy of each report and any definitive proxy statement of NiSource filed with the Commission under the 1934 Act or mailed to stockholders, and (ii) from time to time, such other information concerning NiSource or NiSource Finance as the Lead Underwriter may reasonably request.

(h) Each of NiSource and/or NiSource Finance will pay all expenses incident to the performance of its obligations under the Terms Agreement (including the provisions of this Agreement), any filing fees or other expenses (including fees and disbursements of counsel) in connection with qualification of the Registered Securities for sale under the laws of such jurisdictions as the Lead Underwriter may designate and the printing of memoranda relating thereto, any fees charged by investment rating agencies for the rating of the Offered Securities (if they are debt securities or preferred stock), any applicable filing fee incident to, and the reasonable fees and disbursements of counsel for the Underwriters in connection with, any review by The Financial Industry Regulatory Authority of the Registered Securities, the fees and expenses of the Trustee and any paying agent (including related fees and expenses of any counsel to such parties), any fees and expenses incurred in connection with the listing of the Offered Securities on the Stock Exchange and any travel expenses of its officers and employees and any other expenses incurred by it in connection with attending or hosting meetings with prospective purchasers of Registered Securities.

(i) If the Offered Securities are debt securities or preferred stock, neither NiSource nor NiSource Finance will offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Commission a registration statement under the Act relating to United States dollar-denominated debt securities issued by NiSource Finance and guaranteed by NiSource and having a maturity of more than one year from the date of issue (if the Offered Securities are debt securities) or any series of preferred stock issued by NiSource (if the Offered Securities are preferred stock), or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, without the prior written consent of the Representatives for a period beginning at the time of execution of the Terms Agreement and ending the number of days after the Closing Date specified under "Blackout" in the Terms Agreement.

(j) If the Offered Securities are Common Stock or are convertible into Common Stock, NiSource will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Commission a registration statement under the Act relating to, any additional shares of its Common Stock or securities convertible into or exchangeable or exercisable for any shares of its Common Stock, or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, without the prior written consent of the Representatives for a period beginning at the time of execution of the Terms Agreement and ending the number of days after the Closing Date specified under "Blackout" in the Terms Agreement, except issuances of Common Stock pursuant to the conversion or exchange of convertible or exchangeable securities or the exercise of warrants or options, in each case outstanding on the date of the Terms Agreement, grants of employee stock options pursuant to the terms of a plan in effect on the date of the Terms Agreement, or issuances of Common Stock pursuant to the exercise of such options.

6. *Conditions of the Obligations of the Underwriter*. The obligations of the several Underwriters to purchase and pay for the Offered Securities will be subject to the accuracy of the representations and warranties on the part of NiSource and NiSource Finance herein, to the accuracy of the statements of officers of NiSource and NiSource Finance made pursuant to the provisions hereof, to the performance by each of NiSource and NiSource Finance of its obligations hereunder and to the following additional conditions precedent:

(a) On or prior to the date of the Terms Agreement, the Representatives shall have received a letter, dated the date of delivery thereof, of Deloitte & Touche LLP, confirming that they are an

independent registered public accounting firm within the meaning of the Act and the applicable published rules and regulations of the Commission thereunder and stating to the effect that:

(i) in their opinion the financial statements and financial statement schedules audited by them and incorporated by reference in the Registration Statement, the Pricing Prospectus and the Final Supplemented Prospectus comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations of the Commission thereunder;

(ii) they have performed the procedures specified by the Public Company Accounting Oversight Board for a review of interim financial information as described in Statement of Auditing Standards No. 100, Interim Financial Information, or Statement of Auditing Standards No. 71, Interim Financial Information, as applicable, on any unaudited financial statements incorporated by reference in the Registration Statement and the Pricing Prospectus;

(iii) on the basis of the review referred to in clause (ii) above, a reading of the latest available interim financial statements of NiSource, inquiries of officials of NiSource who have responsibility for financial and accounting matters and other specified procedures, nothing came to their attention that caused them to believe that:

(A) the unaudited financial statements, if any, incorporated by reference in the Registration Statement, the Pricing Prospectus and the Final Supplemented Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Act and the related published rules and regulations of the Commission thereunder or any material modifications should be made to such unaudited financial statements for them to be in conformity with generally accepted accounting principles;

(B) if any unaudited "capsule" information is contained in the Registration Statement, the Pricing Prospectus and the Final Supplemented Prospectus, the unaudited consolidated operating revenues, gross income, net income and net income per share amounts or other amounts constituting such "capsule" information and described in such letter do not agree with the corresponding amounts set forth in the unaudited consolidated financial statements or were not determined on a basis substantially consistent with that of the corresponding amounts in the audited statements of income;

(C) at the date of the latest available balance sheet read by such accountants, or at a subsequent specified date not more than three business days prior to the date of such letter, there was any change in the capital stock or any increase in short-term indebtedness or long-term debt of NiSource and its consolidated subsidiaries or, at the date of the latest available balance sheet read by such accountants, there was any decrease in consolidated net current assets or net assets, as compared with amounts shown on the latest balance sheet incorporated by reference in the Registration Statement, the Pricing Prospectus and the Final Supplemented Prospectus; or

(D) for the period from the closing date of the latest income statement incorporated by reference in the Registration Statement, Pricing Prospectus and Final Supplemented Prospectus to the closing date of the latest available income statement read by such accountants there were any decreases, as compared with the corresponding period of the previous year, in consolidated gross revenues, operating income or net income;

except in all cases set forth in clauses (C) and (D) above for changes, increases or decreases which the Registration Statement, the Pricing Prospectus and the Final Supplemental Prospectus discloses have occurred or may occur or which are described in such letter; and

(iv) they have compared specified dollar amounts (or percentages derived from such dollar amounts) and other financial information contained in the Pricing Prospectus and the Final Supplemental Prospectus (in each case to the extent that such dollar amounts, percentages and other financial information are derived from the general accounting records of NiSource and its subsidiaries subject to the internal controls of NiSource's accounting system or are derived directly from such records by analysis or computation) with the results obtained from inquiries, a reading of such general accounting records and other procedures specified in such letter and have found such dollar amounts, percentages and other financial information to be in agreement with such results, except as otherwise specified in such letter.

All financial statements and schedules included in material incorporated by reference into the Registration Statement, the Pricing Prospectus and the Final Supplemental Prospectus shall be deemed included in the Registration Statement, the Pricing Prospectus and the Final Supplemental Prospectus for purposes of this subsection.

(b) The Final Supplemental Prospectus shall have been filed with the Commission in accordance with the rules and regulations of the Commission under the Act and Section 5(a) of this Agreement. No stop order suspending the effectiveness of the Registration Statement or of any part thereof shall have been issued and no proceedings for that purpose or pursuant to Section 8A of the Act against NiSource or NiSource Finance shall have been instituted or, to the knowledge of NiSource, NiSource Finance or any Underwriter, shall be contemplated by the Commission. The pricing term sheet contemplated by Section 4(b) of this Agreement, and any other material required to be filed by NiSource pursuant to Rule 433(d) under the Act, shall have been filed by NiSource with the Commission within the applicable time periods prescribed for such filings by Rule 433.

(c) Subsequent to the execution of the Terms Agreement, there shall not have occurred (i) any change, or any development or event involving a prospective change, in the condition (financial or other), business, properties or results of operations of NiSource, NiSource Finance and the Subsidiaries taken as one enterprise which, in the judgment of a majority in interest of the Representatives, is material and adverse and makes it impractical or inadvisable to proceed with completion of the public offering or the sale of and payment for the Offered Securities; (ii) any downgrading in the rating of any debt securities or preferred stock of NiSource or NiSource Finance, as the case may be, by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Act), or any public announcement that any such organization has under surveillance or review its rating of any debt securities or preferred stock of NiSource or NiSource Finance, as the case may be, (other than an announcement with positive implications of a possible upgrading, and no implication of a possible downgrading, of such rating); (iii) any change in U.S. or international financial, political or economic conditions or currency exchange rates or exchange controls as would, in the judgment of a majority in interest of the Underwriters including any Representatives, be likely to prejudice materially the success of the proposed issue, sale or disposition of the Offered Securities, whether in the primary market or in respect of dealings in the secondary market; (iv) any material suspension or material limitation of trading in securities generally on the Stock Exchange, or any setting of minimum prices for trading on such exchange, or any suspension of trading of any securities of NiSource or NiSource Finance on any exchange or in the over-the-counter market; (v) any banking moratorium declared by U.S. Federal or New York authorities; (vi) any major disruption of settlements of securities or clearance services in the United States or (vii) any attack on outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration of war by Congress or any other national or international calamity or emergency if, in the judgment of a majority in interest of the

Underwriters, including any Representatives, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency makes it impractical or inadvisable to proceed with completion of the public offering or the sale of and payment for the Offered Securities.

(d) The Representatives shall have received an opinion, dated the Closing Date, of Schiff Hardin LLP, counsel for NiSource and NiSource Finance, to the effect that:

(i) NiSource has been duly incorporated and is a validly existing corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own its properties and conduct its business as described in the Pricing Disclosure Package and the Final Supplemented Prospectus; and NiSource is duly qualified to transact business as a foreign corporation and is in good standing under the laws of the State of Indiana;

(ii) NiSource Finance has been duly incorporated and is a validly existing corporation under the laws of the State of Indiana, with corporate power and authority to own its properties and conduct its business as described in the Pricing Disclosure Package and the Final Supplemented Prospectus;

(iii) If the Offered Securities are debt securities issued by NiSource Finance and guaranteed by NiSource: The Indenture has been duly authorized, executed and delivered by each of NiSource and NiSource Finance, has been duly qualified under the Trust Indenture Act and constitutes legal, valid and binding obligations of NiSource and NiSource Finance enforceable against NiSource and NiSource Finance in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Offered Securities which are debt securities have been duly authorized by NiSource Finance; the Offered Securities which are Guarantees have been duly authorized by NiSource; the Offered Securities which are debt securities have been duly executed and, when authenticated in accordance with the terms of the Indenture and delivered to and paid for by the Underwriters in accordance with the provisions of the Terms Agreement (including the provisions of this Agreement) or sold pursuant to Delayed Delivery Contracts, will constitute legal, valid and binding obligations of NiSource Finance enforceable against NiSource Finance in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; the Offered Securities which are guarantees of debt securities have been duly executed and, when the debt securities on which the guarantees are endorsed are authenticated in accordance with the terms of the Indenture and delivered to and paid for by the Underwriters in accordance with the provisions of the Terms Agreement (including the provisions of this Agreement) or sold pursuant to Delayed Delivery Contracts, will constitute, legal, valid and binding obligations of NiSource entitled to the benefits of the Indenture and enforceable against NiSource in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles; and the Indenture and the Offered Securities other than any Contract Securities conform, and any Contract Securities, when so delivered and sold will conform, as to legal matters in all material respects to the descriptions thereof contained in the Pricing Disclosure Package and the Final Supplemented Prospectus;

(iv) If the Offered Securities are preferred stock: The Offered Securities have been duly authorized; the Offered Securities other than any Contract Securities when delivered to and paid for by the Underwriters in accordance with the provisions of the Terms Agreement (including the provisions of this Agreement) will be validly issued, fully paid and nonassessable; any Contract Securities, when delivered and sold pursuant

to Delayed Delivery Contracts, will be validly issued, fully paid and non-assessable; and the Offered Securities other than any Contract Securities conform, and any Contract Securities, when so delivered and sold, will conform, as to legal matters in all material respects to the descriptions thereof contained in the Pricing Disclosure Package and the Final Supplemented Prospectus; and the stockholders of NiSource have no statutory preemptive rights with respect to the Offered Securities;

(v) If the Offered Securities are Common Stock: The Offered Securities have been duly authorized and when delivered to and paid for by the Underwriters in accordance with the provisions of the Terms Agreement (including the provisions of this Agreement) will be validly issued, fully paid and nonassessable and conform as to legal matters in all material respects to the descriptions thereof contained in the Pricing Disclosure Package and the Final Supplemented Prospectus; and the stockholders of NiSource have no statutory preemptive rights with respect to the Offered Securities;

(vi) If the Offered Securities are convertible into Common Stock: The Offered Securities other than any Contract Securities are, and any Contract Securities (if the Offered Securities are debt securities), when executed, authenticated, issued and delivered in the manner provided in the Indenture and sold pursuant to Delayed Delivery Contracts or (if the Offered Securities are preferred stock) when issued, delivered and sold pursuant to Delayed Delivery Contracts, will be convertible into Common Stock in accordance with (if they are debt securities) the Indenture or (if they are preferred stock) their terms; the shares of Common Stock initially issuable upon conversion of the Offered Securities have been duly authorized and reserved for issuance upon such conversion and, when issued upon such conversion, will be validly issued, fully paid and nonassessable; the Common Stock conforms as to legal matters in all material respects to the descriptions thereof contained in the Pricing Disclosure Package and the Final Supplemented Prospectus; and the stockholders of NiSource have no statutory preemptive rights with respect to the Common Stock issuable upon conversion of the Offered Securities;

(vii) If the Offered Securities are Common Stock or are convertible into Common Stock: There are no contracts, agreements or understandings known to such counsel between NiSource or NiSource Finance and any person granting such person the right to require NiSource or NiSource Finance to file a registration statement under the Act with respect to any securities of NiSource or NiSource Finance owned or to be owned by such person or to require NiSource or NiSource Finance to include such securities with the securities registered pursuant to the Registration Statement or with any securities being registered pursuant to any other registration statement filed by NiSource or NiSource Finance under the Act;

(viii) Neither the execution and delivery by each of NiSource and NiSource Finance of the Terms Agreement (including the provisions of this Agreement) nor the performance by each of NiSource and NiSource Finance of their respective obligations under the Terms Agreement (including the provisions of this Agreement) requires any consent or approval of any nature from or filing with any governmental authority of any of the State of Illinois, the State of Indiana or the United States of America, nor is any such consent, approval or filing required by the Delaware General Corporation Law;

(ix) Neither NiSource nor NiSource Finance is and, after giving effect to the offering and sale of the Offered Securities and the application of the proceeds thereof as described in the Pricing Disclosure Package and the Final Supplemented Prospectus, neither will be an “ **investment company** ” as defined in the Investment Company Act of 1940;

(x) Each of the Significant Subsidiaries has been duly incorporated and is a corporation validly existing and, where applicable, in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own its properties and to conduct its business as described in the Pricing Disclosure Package and Final Supplemented Prospectus; and each Significant Subsidiary is duly qualified to transact business as a foreign corporation in good standing in each of the jurisdictions set forth opposite the name of such Significant Subsidiary on a schedule attached to the opinion;

(xi) To the knowledge of such counsel, based in part upon a review of the stock register of each of NiSource Finance, NiSource Capital Markets, Inc., Columbia Energy Group and Northern Indiana Public Service Company (collectively, the “**Specified Subsidiaries**”), all of the issued and outstanding capital stock of each of the Specified Subsidiaries is owned by NiSource, directly or through subsidiaries. There is no perfected lien upon the outstanding shares of capital stock of any of the Specified Subsidiaries and, to the knowledge of such counsel, there is no other lien, security interest, charge or encumbrance upon the capital stock of any of the Specified Subsidiaries;

(xii) To the knowledge of such counsel, except as disclosed in the Pricing Disclosure Package and the Final Supplemented Prospectus, there are no pending or threatened actions, suits, proceedings or investigations against or affecting NiSource, NiSource Finance or any Subsidiary or any of their respective properties, assets or operations that could reasonably be expected to, individually or in the aggregate, materially and adversely affect the ability of either NiSource or NiSource Finance to perform its obligations under the Terms Agreement (including the provisions of this Agreement) or which could be reasonably be expected to have a Material Adverse Effect;

(xiii) The execution and delivery by each of NiSource and NiSource Finance of the Terms Agreement (including the provisions of this Agreement) do not, and the performance by each of NiSource and NiSource Finance of its respective obligations under the Terms Agreement (including the provisions of this Agreement), including the issuance and sale of the Offered Securities, will not, (i) violate the certificate or articles of incorporation or by-laws of NiSource or NiSource Finance, (ii) violate any law, rule or regulation applicable to NiSource or NiSource Finance and generally applicable to transactions of the type contemplated by the Terms Agreement (including the provisions of this Agreement) undertaken by issuers engaged in businesses similar to the businesses of NiSource and NiSource Finance, (iii) violate any judgment, injunction, order or decree identified by an officer of NiSource or NiSource Finance as material to NiSource, NiSource Finance and the Subsidiaries taken as a whole (which judgments, injunctions, orders and decrees, if any, shall be set forth in a certificate attached to the opinion), or (iv) breach or result in a default under any indenture, mortgage, instrument or agreement which is filed as an exhibit to or filed as an exhibit through incorporation by reference to either NiSource’s Annual Report on Form 10-K for the year ended on the December 31 preceding the date of delivery of such opinion or any Quarterly Report on Form 10-Q or Report on Form 8-K filed subsequent to the date of such Form 10-K and prior to the Closing Date;

(xiv) The descriptions in the Registration Statement and in the Pricing Disclosure Package and the Final Supplemented Prospectus of any statutes, legal and governmental proceedings, contracts and documents, insofar as such statements purport to constitute summaries of matters of law and legal conclusions with respect thereto, are correct in all material respects; and such counsel do not know of any legal or governmental proceedings pending to which NiSource, NiSource Finance or any Subsidiary is a party or to which any of their respective properties is subject that are required to be described in the Registration Statement, the Pricing Disclosure Package or the Final Supplemented Prospectus and are not so described, or of any statutes,

regulations, contracts or other documents that are required to be described in the Registration Statement, the Pricing Disclosure Package or the Final Supplemented Prospectus or to be filed as exhibits to the Registration Statement that are not so described or filed as required;

(xv) The Registration Statement has become effective under the Act, the Final Supplemented Prospectus was filed with the Commission pursuant to the subparagraph of Rule 424(b) specified in such opinion on the date specified therein, and, to the best knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement or any part thereof has been issued and no proceedings for that purpose or pursuant to Section 8A of the Act against NiSource or NiSource Finance have been instituted or are pending or threatened under the Act, and the Registration Statement on the Effective Date and the Final Supplemented Prospectus, as of the date of the Terms Agreement, and any amendment or supplement thereto, as of its date, complied as to form in all material respects with the requirements of the Act, the Trust Indenture Act and the rules and regulations of the Commission thereunder; such counsel have had no facts come to their attention that have led them to believe that the Registration Statement, as of the Effective Date, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, that the Pricing Disclosure Package, as of the Applicable Time, included an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or that the Final Supplemented Prospectus, as amended or supplemented as of the Closing Date, contained or contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; it being understood that such counsel need express no opinion as to the financial statements or other financial data contained or incorporated by reference in the Registration Statement, the Pricing Disclosure Package, the Final Supplemented Prospectus or any amendment or supplement thereto; and

(xvi) The Terms Agreement (including the provisions of this Agreement) and, if the Offered Securities are Contract Securities, the Delayed Delivery Contracts have been duly authorized, executed and delivered by NiSource and/or NiSource Finance, as the case may be.

(e) The Representatives shall have received from Dewey Ballantine LLP, counsel for the Underwriters, such opinion or opinions, dated the Closing Date, with respect to the incorporation of each of NiSource and NiSource Finance, the validity of the Offered Securities, the Registration Statement, the Pricing Disclosure Package, the Final Supplemented Prospectus and other related matters as the Representatives may require, and each of NiSource and NiSource Finance shall have furnished to such counsel such documents as they request for the purpose of enabling them to pass upon such matters. In rendering such opinion, Dewey Ballantine LLP may rely as to the incorporation of NiSource Finance and all other matters governed by Indiana law upon the opinion of Schiff Hardin LLP referred to above.

(f) The Representatives shall have received a certificate, dated the Closing Date, of the President or any Vice President and a principal financial or accounting officer of NiSource in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of NiSource in this Agreement are true and correct in all material respects, that NiSource has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date, that no stop order suspending the effectiveness of the Registration Statement or of any part thereof has been issued and no proceedings for that purpose have been instituted or are contemplated by the Commission and that, subsequent to the date of the most recent financial statements in the Pricing Disclosure Package and the Final Supplemented Prospectus, there has been no material adverse change, nor



any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of NiSource, NiSource Finance and the Subsidiaries taken as a whole except as set forth in or contemplated by the Pricing Disclosure Package and the Final Supplemental Prospectus.

(g) If the Offered Securities are debt securities, the Representatives shall have received a certificate, dated the Closing Date, of the President or any Vice President and a principal financial or accounting officer of NiSource Finance in which such officers, to the best of their knowledge after reasonable investigation, shall state that the representations and warranties of NiSource Finance in this Agreement are true and correct in all material respects, that NiSource Finance has complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date, that no stop order suspending the effectiveness of the Registration Statement or of any part thereof has been issued and no proceedings for that purpose have been instituted or are contemplated by the Commission and that, subsequent to the date of the most recent financial statements in the Pricing Disclosure Package and the Final Supplemental Prospectus, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in the condition (financial or other), business, properties or results of operations of NiSource, NiSource Finance and the Subsidiaries taken as a whole except as set forth in or contemplated by the Pricing Disclosure Package and the Final Supplemental Prospectus.

(h) The Representatives shall have received a letter, dated the Closing Date, of Deloitte & Touche LLP which meets the requirements of subsection (a) of this Section, except that the specified date referred to in such subsection will be a date not more than three days prior to the Closing Date for the purposes of this subsection.

Each of NiSource and NiSource Finance agrees to furnish the Representatives with such conformed copies of such opinions, certificates, letters and documents as the Representatives reasonably request. The Lead Underwriter may in its sole discretion waive on behalf of the Underwriters compliance with any conditions to the obligations of the Underwriters under this Agreement and the Terms Agreement.

7. *Indemnification and Contribution.* (a) NiSource and NiSource Finance, jointly and severally, will indemnify and hold harmless each Underwriter, its partners, directors and officers and each person, if any, who controls such Underwriter within the meaning of Section 15 of the Act or Section 20 of the 1934 Act, against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Registration Statement, the Basic Prospectus, the Pricing Prospectus, any Permitted Free Writing Prospectus or the Final Supplemental Prospectus, or any amendment or supplement thereto, or any free writing prospectus used by NiSource or NiSource Finance other than a Permitted Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred; *provided, however*, that NiSource and NiSource Finance will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement in or omission or alleged omission from any of such documents in reliance upon and in conformity with written information furnished to NiSource or NiSource Finance by any Underwriter through the Representatives, if any, specifically for use therein, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in the Terms Agreement.

(b) Each Underwriter will severally and not jointly indemnify and hold harmless NiSource and NiSource Finance, their respective directors and officers and each person, if any, who controls each of NiSource and NiSource Finance within the meaning of Section 15 of the Act or Section 20 of the 1934 Act, against any losses, claims, damages or liabilities to which NiSource or NiSource Finance

may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, the Basic Prospectus, the Pricing Prospectus, any Permitted Free Writing Prospectus or the Final Supplemented Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to NiSource or NiSource Finance by such Underwriter through the Representatives, if any, specifically for use therein, and will reimburse any legal or other expenses reasonably incurred by NiSource or NiSource Finance in connection with investigating or defending any such loss, claim, damage, liability or action as such expenses are incurred, it being understood and agreed that the only such information furnished by any Underwriter consists of the information described as such in the Terms Agreement.

(c) Promptly after receipt by an indemnified party under this Section of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under subsection (a) or (b) above, notify the indemnifying party of the commencement thereof; but the failure to notify the indemnifying party shall not relieve it from any liability that it may have under subsection (a) or (b) above except to the extent that it has been materially prejudiced through the forfeiture of substantive rights or defenses by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under subsection (a) or (b) above. In case any such action is brought against any indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate therein and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement (i) includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action and (ii) does not include a statement as to, or an admission of, fault, culpability or a failure to act by or on behalf of an indemnified party.

(d) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above (i) in such proportion as is appropriate to reflect the relative benefits received by NiSource and NiSource Finance on the one hand and the Underwriters on the other from the offering of the Offered Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of NiSource and NiSource Finance on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities as well as any other relevant equitable considerations. The relative benefits received by NiSource and NiSource Finance on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by NiSource and NiSource Finance bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by NiSource and NiSource Finance on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or

omission. The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Offered Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of NiSource and NiSource Finance under this Section shall be in addition to any liability which NiSource or NiSource Finance may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each director of NiSource and NiSource Finance, to each officer of NiSource and NiSource Finance who has signed the Registration Statement and to each person, if any, who controls NiSource or NiSource Finance within the meaning of the Act.

8. *Default of Underwriters*. If any Underwriter or Underwriters default in their obligations to purchase Offered Securities under the Terms Agreement and the aggregate principal amount (if debt securities) or number of shares (if preferred stock or Common Stock) of Offered Securities that such defaulting Underwriter or Underwriters agreed but failed to purchase does not exceed 10% of the total principal amount (if debt securities) or number of shares (if preferred stock or Common Stock) of Offered Securities, the Lead Underwriter may make arrangements satisfactory to NiSource and/or NiSource Finance, as the case may be, for the purchase of such Offered Securities by other persons, including any of the Underwriters, but if no such arrangements are made by the Closing Date, the non-defaulting Underwriters shall be obligated severally, in proportion to their respective commitments under the Terms Agreement (including the provisions of this Agreement), to purchase the Offered Securities that such defaulting Underwriters agreed but failed to purchase. If any Underwriter or Underwriters so default and the aggregate principal amount (if debt securities) or number of shares (if preferred stock or Common Stock) of Offered Securities with respect to which such default or defaults occur exceeds 10% of the total principal amount (if debt securities) or number of shares (if preferred stock or Common Stock) of Offered Securities and arrangements satisfactory to the Lead Underwriter and NiSource and/or NiSource Finance, as the case may be, for the purchase of such Offered Securities by other persons are not made within 36 hours after such default, the Terms Agreement will terminate without liability on the part of any non-defaulting Underwriter or NiSource or NiSource Finance, except as provided in Section 9. As used in this Agreement, the term "Underwriter" includes any person substituted for an Underwriter under this Section. Nothing herein will relieve a defaulting Underwriter from liability for its default. If the Offered Securities are debt securities or preferred stock, the respective commitments of the several Underwriters for the purposes of this Section shall be determined without regard to reduction in the respective Underwriters' obligations to purchase the principal amounts (if debt securities) or numbers of shares (if preferred stock) of the Offered Securities set forth opposite their names in the Terms Agreement as a result of Delayed Delivery Contracts entered into by NiSource and/or NiSource Finance, as the case may be.

9. *Survival of Certain Representations and Obligations*. The respective indemnities, agreements, representations, warranties and other statements of NiSource, NiSource Finance or their respective officers and of the several Underwriters set forth in or made pursuant to the Terms Agreement (including the provisions of this Agreement) will remain in full force and effect, regardless of any investigation, or statement as to the results thereof, made by or on behalf of any Underwriter, NiSource, NiSource Finance or any of their respective representatives, officers or directors or any controlling person, and will survive delivery of and payment for the Offered Securities. If the Terms Agreement is terminated pursuant to Section 8 or if for any reason the purchase of the Offered Securities by the Underwriters is not consummated,

NiSource and NiSource Finance shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 5 and the respective obligations of NiSource, NiSource Finance and the Underwriters pursuant to Section 7 shall remain in effect. If the purchase of the Offered Securities by the Underwriters is not consummated for any reason other than solely because of the termination of the Terms Agreement pursuant to Section 8 or the occurrence of any event specified in clauses (iii), (iv), (v), (vi) or (vii) of Section 6(c), NiSource and/or NiSource Finance will reimburse the Underwriters for all out-of-pocket expenses (including fees and disbursements of counsel) reasonably incurred by them in connection with the offering of the Offered Securities.

10. *Notices* . All communications hereunder will be in writing and, if sent to the Underwriters, will be mailed, delivered or telegraphed and confirmed to them at their address furnished to NiSource in writing for the purpose of communications hereunder or, if sent to NiSource, will be mailed, delivered or telegraphed and confirmed to it at 801 East 86th Avenue, Merrillville, Indiana 46410, Attention: David J. Vajda, if sent to NiSource Finance, will be mailed, delivered or telegraphed and confirmed to it at 801 East 86th Avenue, Merrillville, Indiana 46410, Attention: David J. Vajda, in each case with a copy to Peter V. Fazio, Jr., Schiff Hardin LLP, 6600 Sears Tower, Chicago, Illinois 60606-6473.

11. *Successors* . The Terms Agreement (including the provisions of this Agreement) will inure to the benefit of and be binding upon NiSource, NiSource Finance and such Underwriters as are identified in the Terms Agreement and their respective successors and the officers and directors and controlling persons referred to in Section 7, and no other person will have any right or obligation hereunder.

12. *Representation of Underwriters* . Any Representatives will act for the several Underwriters in connection with the financing described in the Terms Agreement, and any action under such Terms Agreement (including the provisions of this Agreement) taken by the Representatives jointly or by the Lead Underwriter will be binding upon all the Underwriters.

13. *Counterparts* . The Terms Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

14. *Applicable Law* . **This Agreement and the Terms Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of laws.**

Each of NiSource and NiSource Finance hereby submits to the non-exclusive jurisdiction of the Federal and state courts in the Borough of Manhattan in The City of New York in any suit or proceeding arising out of or relating to the Terms Agreement (including the provisions of this Agreement) or the transactions contemplated thereby.

Dated: August 28, 2007

(Three copies of this Delayed Delivery Contract should be signed and returned to the address shown below so as to arrive not later than 9:00 A.M., New York time, on [ \_\_\_\_\_ ], 200 \_\_)

DELAYED DELIVERY CONTRACT

[ Insert date of initial public offering ]

[ NISOURCE INC. ] [ NISOURCE FINANCE CORP. ]  
c/o \_\_\_\_\_

Ladies and Gentlemen:

The undersigned hereby agrees to purchase from [ NiSource Inc., a Delaware corporation (“ NiSource ”), ] [ NiSource Finance Corp., an Indiana corporation and wholly-owned subsidiary of NiSource Inc.(“ NiSource Finance ”) ] and [ NiSource ] [ NiSource Finance ] agrees to sell to the undersigned, as of the date hereof, for delivery on [ \_\_\_\_\_ ], 200 \_\_ (“ Delivery Date ”), [ \_\_\_\_\_ ] shares ] [ \$ \_\_\_\_\_ principal amount ] [ of [NiSource’s ] [ NiSource Finance’s ] [ insert title of securities ] (“ Securities ”), offered by the Prospectus of NiSource and NiSource Finance dated [ \_\_\_\_\_ ], 200 \_\_ and a Prospectus Supplement dated [ \_\_\_\_\_ ], 200 \_\_ relating thereto, receipt of copies of which is hereby acknowledged, at— % of the principal amount thereof plus accrued interest, if any,—\$ per share plus accrued dividends, if any,—and on the further terms and conditions set forth in this Delayed Delivery Contract (“ Contract ”).

[ If two or more delayed closings, insert the following :

The undersigned will purchase from [NiSource][NiSource Finance] as of the date hereof, for delivery on the dates set forth below, Securities in the—principal—amounts set forth below:

Delivery Date	[Number of Shares/Principal Amount]

Each of such delivery dates is hereinafter referred to as a Delivery Date. ]

Payment for the Securities that the undersigned has agreed to purchase for delivery on—the—each—Delivery Date shall be made to [NiSource][NiSource Finance] or its order in Federal (same day) funds by certified or official bank check or wire transfer to an account designated by [NiSource][NiSource Finance] at a bank acceptable to the Underwriter, at the office of \_\_\_\_\_ at \_\_\_\_\_ A.M. on—the—such—Delivery Date upon delivery to the undersigned of the Securities to be purchased by the undersigned—for delivery on such Delivery Date—in definitive [ If debt issue, insert —fully registered ] form and in such denominations and registered in such names as the undersigned may designate by written or telegraphic communication addressed to [NiSource][NiSource Finance] not less than five full business days prior to—the—such—Delivery Date.



It is expressly agreed that the provisions for delayed delivery and payment are for the sole convenience of the undersigned; that the purchase hereunder of Securities is to be regarded in all respects as a purchase as of the date of this Contract; that the obligation of [NiSource][NiSource Finance] to make delivery of and accept payment for, and the obligation of the undersigned to take delivery of and make payment for, Securities on—the—each—Delivery Date shall be subject only to the conditions that (1) investment in the Securities shall not at—the—such—Delivery Date be prohibited under the laws of any jurisdiction in the United States to which the undersigned is subject and (2) [NiSource][NiSource Finance] shall have sold to the Underwriters the total—principal amount—number of shares—of the Securities less the—principal amount—number of shares—thereof covered by this and other similar Contracts. The undersigned represents that its investment in the Securities is not, as of the date hereof, prohibited under the laws of any jurisdiction to which the undersigned is subject and which governs such investment.

Promptly after completion of the sale to the Underwriters [NiSource][NiSource Finance] will mail or deliver to the undersigned at its address set forth below notice to such effect, accompanied by—a copy—copies—of the opinion [ s ] of counsel for [NiSource][NiSource Finance] delivered to the Underwriters in connection therewith.

This Contract will inure to the benefit of and be binding upon the parties hereto and their respective successors, but will not be assignable by either party hereto without the written consent of the other.

It is understood that the acceptance of any such Contract is in [NiSource][NiSource Finance]'s sole discretion and, without limiting the foregoing, need not be on a first-come, first-served basis. If this Contract is acceptable to [NiSource][NiSource Finance], it is requested that [NiSource][NiSource Finance] sign the form of acceptance below and mail or deliver one of the counterparts hereof to the undersigned at its address set forth below. This will become a binding contract between [NiSource][NiSource Finance] and the undersigned when such counterpart is so mailed or delivered.

Yours very truly,

\_\_\_\_\_  
(Name of Purchaser)

By \_\_\_\_\_  
[Name/Title]

\_\_\_\_\_  
(Address of Purchaser)

Accepted, as of the above date.

[ NISOURCE INC. ] [ NISOURCE FINANCE  
CORP. ]

By \_\_\_\_\_  
[ Insert Title ]

UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO NISOURCE FINANCE CORP. AND NISOURCE INC. OR THEIR AGENT OR AGENTS FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY GLOBAL NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

No.: \_\_\_\_\_  
CUSIP No.: 65473QAS2  
ISIN No.: US65473QAS21

\$ \_\_\_\_\_

6.40% Notes due 2018

NiSource Finance Corp., an Indiana corporation, promises to pay to Cede & Co, or registered assigns, the principal sum of \$ \_\_\_\_\_ Dollars on March 15, 2018.

Interest Payment Dates: March 15 and September 15, Commencing March 15, 2008

Record Dates: March 1 and September 1

Additional provisions of this Note are set forth on the other side of this Note.

Dated: August 31, 2007

NISOURCE FINANCE CORP.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

TRUSTEE'S CERTIFICATE OF  
AUTHENTICATION

This is one of the Notes of the series  
referred to in the within-mentioned Indenture.

THE BANK OF NEW YORK,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer



1. Interest

NiSource Finance Corp., an Indiana corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the "Company"), promises to pay interest on the principal amount of this Note at the rate per annum shown above. The Company will pay interest semiannually on March 15 and September 15 of each year, commencing March 15, 2008. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from August 31, 2007. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company will pay interest on overdue principal and premium at the above rate and will pay interest on overdue installments of interest at such rate to the extent lawful.

2. Method of Payment

The Company will pay interest on the Notes (except defaulted interest) to the Persons who are registered Holders of Notes at the close of business on the March 1 or September 1 next preceding the Interest Payment Date even if Notes are canceled after the Record Date and on or before the Interest Payment Date. Holders must surrender Notes to a Paying Agent to collect principal payments. The Company will pay principal and interest in money of the United States that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Notes represented by a Global Note (including principal, premium, if any, and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company.

3. Guarantee

NiSource Inc., a Delaware corporation and parent of the Company, will fully and unconditionally guarantee to each Holder of the Notes and to The Bank of New York (as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank), as Trustee (the "Trustee") under the Indenture (as defined below) and its successors all the Obligations of the Company under the Notes, including the due and punctual payment of the principal of, premium, if any, and interest, if any, on the Notes (the "Security Guarantee"). The Security Guarantee applies whether the payment is due at Stated Maturity, on an Interest Payment Date or as a result of acceleration, redemption or otherwise. The Security Guarantee includes payment of interest on the overdue principal of, premium, if any, and interest, if any, on the Notes (if lawful) and all other Obligations of the Company under the Indenture. The Security Guarantee will remain valid even if the Indenture is found to be invalid. NiSource Inc. is obligated under the Security Guarantee to pay any guaranteed amount immediately after the Company's failure to do so.

#### 4. Paying Agent and Security Registrar

Initially, the Trustee will act as Paying Agent and Security Registrar. The Company may appoint and change any Paying Agent or Security Registrar without notice to the Holders. The Company may act as Paying Agent or Security Registrar.

#### 5. Indenture

The Company issued the Notes under an Indenture dated as of November 14, 2000, among the Company, NiSource Inc. and the Trustee (as supplemented, the "Indenture") and pursuant to an Officers' Certificate of the Company dated August 31, 2007 (the "Officer's Certificate"). The terms of the Notes include those stated in the Indenture and the Officer's Certificate and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S.C. sections 77aaa-77bbb) as in effect on the date of the Officer's Certificate (the "Act"). Capitalized terms used herein and defined in the Indenture but not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all such terms, and Holders of Notes are referred to the Indenture and the Act for a statement of those terms.

The Notes are *senior unsecured obligations of the Company*. The Notes issued on the Issue Date will be treated as a single class for all purposes under the Indenture. The Indenture contains covenants that limit the ability of the Company, NiSource Inc. and their Subsidiaries (other than Utilities) to incur additional indebtedness and create liens on assets unless the total amount of all the secured debt would not exceed 10% of Consolidated Net Tangible Assets. These covenants are subject to important exceptions and qualifications.

#### 6. Optional Redemption

The Company may redeem all or part of the Notes at any time at its option at a redemption price equal to the greater of (1) 100% of the principal amount of the Notes being redeemed plus accrued interest to the Redemption Date or (2) the Make-Whole Amount for the Notes being redeemed. For purposes of this provision:

"Make-Whole Amount" means the sum, as determined by a Quotation Agent, of the present values of the principal amount of the Notes to be redeemed, together with scheduled payments of interest (exclusive of interest to the Redemption Date) from the Redemption Date to the Stated Maturity of the Notes, in each case discounted to the Redemption Date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Adjusted Treasury Rate, plus accrued interest on the principal amount of the Notes being redeemed to the Redemption Date.

"Adjusted Treasury Rate" means, with respect to any Redemption Date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15 (519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant

Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date, in each case calculated on the third Business Day preceding the Redemption Date, plus 0.30%.

“Comparable Treasury Issue” means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term from the Redemption Date to the Stated Maturity of the Notes that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

“Comparable Treasury Price” means, with respect to any Redemption Date, if clause (ii) of the definition of Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Trustee, Reference Treasury Dealer Quotations for such Redemption Date.

“Quotation Agent” means the Reference Treasury Dealer selected by the Trustee after consultation with the Company.

“Reference Treasury Dealer” means a primary U.S. Government securities dealer selected by the Company.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by a Reference Treasury Dealer, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

#### 7. Notice of Redemption

If the Company is redeeming less than all the Notes at any time, the Trustee will select the Notes to be redeemed using a method it considers fair and appropriate. Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Notes to be redeemed in accordance with Section 106 of the Indenture. Notes in denominations larger than \$1,000 principal amount may be redeemed in part but only in integral multiples of \$1,000. The Company will not know the exact Redemption Price until three Business Days before the Redemption Date. Therefore, the notice of redemption will only describe how the

Redemption Price will be calculated. If money sufficient to pay the Redemption Price of and accrued interest on all Notes (or portions thereof) to be redeemed on the Redemption Date is deposited with the Paying Agent on or before the Redemption Date and certain other conditions are satisfied, on and after such Redemption Date interest will cease to accrue on such Notes (or such portions thereof) called for redemption.

#### 8. Additional Notes

The Company may, without the consent of the Holders of the Notes, create and issue Additional Notes ranking equally with the Notes in all respects, including having the same CUSIP number, so that such Additional Notes shall be consolidated and form a single series with the Notes and shall have the same terms as to status, redemption or otherwise as the Notes. No Additional Notes may be issued if an Event of Default has occurred and is continuing with respect to the Notes.

#### 9. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in denominations of \$1,000 principal amount and integral multiples of \$1,000. A Holder may transfer or exchange Notes in accordance with the Indenture. The Security Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Security Registrar need not register the transfer or exchange of any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) for a period of 15 days before a selection of Notes to be redeemed.

#### 10. Persons Deemed Owners

The registered Holder of this Note may be treated as the owner of it for all purposes.

#### 11. Unclaimed Money

If money for the payment of principal or interest remains unclaimed for two years, the Trustee or Paying Agent shall pay the money back to the Company at its request. After any such payment, Holders entitled to the money must look only to the Company and not to the Trustee, the Paying Agent or NiSource Inc., as guarantor, for payment.

#### 12. Satisfaction and Discharge

Under the Indenture, the Company can terminate its obligations with respect to the Notes not previously delivered to the Trustee for cancellation when those Notes have become due and payable or 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 Trustee for giving notice of redemption. The Company may terminate its obligations with respect to the Notes by depositing with the Trustee, as funds in trust dedicated solely for that purpose, an amount sufficient to pay and discharge

the entire indebtedness on the Notes. In that case, the Indenture will cease to be of further effect and the Company's obligations will be satisfied and discharged with respect to the Notes (except as to the Company's obligations to pay all other amounts due under the Indenture and to provide certain Officers' Certificates and Opinions of Counsel to the Trustee). At the expense of the Company, the Trustee will execute proper instruments acknowledging the satisfaction and discharge.

### 13. Amendment, Waiver

Subject to certain exceptions set forth in the Indenture, (i) the Indenture and the Notes may be amended with the written consent of the Holders of at least a majority in principal amount outstanding of the Notes and (ii) any default or noncompliance with any provision may be waived with the written consent of the Holders of a majority in principal amount outstanding of the Notes. Subject to certain exceptions set forth in the Indenture, without the consent of any Holder, the Company and the Trustee shall be entitled to amend the Indenture to cure any ambiguity, omission, defect or inconsistency, or to evidence the succession of another Person as obligor under the Indenture, or to add to the Company's or NiSource Inc.'s covenants or to surrender any right or power conferred on the Company or NiSource Inc. under the Indenture, or to add events of default, or to secure the Notes, or to evidence or provide for the acceptance or appointment by a successor Trustee or facilitate the administration of the trusts under the Indenture by more than one trustee, or to effect assumption by NiSource Inc. or one of its Subsidiaries of the Company's obligations under the Indenture, or to conform the Indenture to any amendment of the Trust Indenture Act.

### 14. Defaults and Remedies

Under the Indenture, Events of Default include: (i) default by the Company in the payment of any interest upon any Note and the continuance of such default for 60 days; (ii) default by the Company in the payment of principal of or any premium on any Note when due at Stated Maturity, on redemption, by declaration or otherwise, and the continuance of such default for three Business Days; (iii) default by the Company or NiSource Inc. in the performance of or breach of any covenant or warranty in the Indenture and continuance of such default for 90 days after written notice to the Company or NiSource Inc. from the Trustee or to the Company, NiSource Inc. and the Trustee from the Holders of at least 33% in principal amount of the Outstanding Notes; (iv) default by the Company or NiSource Capital Markets, Inc. under any bond, debenture, note or other evidence of indebtedness for money borrowed by the Company or NiSource Capital Markets, Inc., or the Company or NiSource Capital Markets, Inc. 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, subject to certain cure rights; (v) the guarantee by NiSource Inc. ceases to be in full force and effect or is disaffirmed or denied (other than according to its terms), or is found to be unenforceable or invalid; or (vi) certain events of bankruptcy, insolvency or reorganization of the Company, NiSource Capital Markets, Inc. or NiSource Inc. If an Event of Default occurs and is continuing,

the Trustee or the Holders of at least 33% in principal amount of the Notes may declare all the Notes to be due and payable immediately.

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The Trustee may refuse to enforce the Indenture or the Notes unless it receives indemnity or security satisfactory to it. Subject to certain limitations, Holders of a majority in principal amount of the Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing default (except a default in payment of principal or interest) if it determines that withholding notice is in the interest of the Holders.

#### 15. Trustee Dealings with the Company

Subject to certain limitations imposed by the Act, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may otherwise deal with the Company or its Affiliates with the same rights it would have if it were not Trustee.

#### 16. No Recourse Against Others

A director, officer, employee or stockholder, as such, of the Company, NiSource Inc. or the Trustee shall not have any liability for any obligations of the Company under the Notes or the Indenture, or any obligations of NiSource Inc. under the Security Guarantee or the Indenture, or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Note, each Holder waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Notes and the Security Guarantee.

#### 17. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an Authenticating Agent) manually signs the certificate of authentication on the other side of this Note.

#### 18. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

#### 19. CUSIP, ISIN and Common Code Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. To the extent such numbers have been issued,

the Company has caused ISIN and Common Code numbers to be similarly printed on the Notes and has similarly instructed the Trustee. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

20. Governing Law.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO CONTRARY CONFLICT OF LAWS OR CHOICE OF LAWS PROVISIONS OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture. Requests may be made to:

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

Attention: Secretary

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

\_\_\_\_\_

(Print or type assignee's name, address and zip code)

\_\_\_\_\_

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint \_\_\_\_\_ agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: \_\_\_\_\_

Your Signature: \_\_\_\_\_

\_\_\_\_\_  
Sign exactly as your name appears on the other side of this Note.

Signature Guarantee:

\_\_\_\_\_  
Signature must be guaranteed

\_\_\_\_\_  
Signature

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

\_\_\_\_\_



## SECURITY GUARANTEE

NiSource Inc. irrevocably and unconditionally guarantees the Obligations of NiSource Finance Corp., an Indiana corporation (the "Company") under the 6.40% Notes due 2018 (the "Notes") of the Company, including that (i) the principal of, premium, if any, and interest on the Notes shall be promptly paid in full when due, whether at Stated Maturity, by acceleration, redemption or otherwise, and interest on the overdue principal of, premium, if any, and interest on the Notes, if lawful, and all other Obligations of the Company to the Holders or the Trustee shall be promptly paid in full or performed, and (ii) in case of any extension of time of payment or renewal of any Notes or any such other Obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at Stated Maturity, by acceleration or otherwise. Failing payment when due of any amount so guaranteed or any performance so guaranteed, NiSource Inc. shall be obligated to pay or perform the same immediately.

The obligations of NiSource Inc. to the Holders and to the Trustee pursuant to this Security Guarantee and the Indenture are expressly set forth in Article Fifteen of the Indenture, and reference is hereby made to such Indenture 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.

This Security Guarantee shall remain in full force and effect and continue notwithstanding any petition filed by or against the Company for liquidation or reorganization.

This Security Guarantee shall not be valid or obligatory for any purpose until the certificate of authentication on the Note upon which this Security Guarantee is noted shall have been executed by the Trustee under the Indenture by the manual signature of one of its authorized officers.

THE TERMS OF ARTICLE FIFTEEN OF THE INDENTURE ARE INCORPORATED HEREIN BY REFERENCE.

Capitalized terms used herein have the same meanings given in the Indenture unless otherwise indicated.

NISOURCE INC.

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**GUARANTY AGREEMENT**

dated as of

August 29, 2007

Between

**NISOURCE INC.,**  
as the Guarantor

and

**JPMORGAN CHASE BANK, N.A.,**  
as the Administrative Agent

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## GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of August 29, 2007 to be effective as of the Effective Date (this "Agreement") is between:

(a) NiSource Inc., a Delaware corporation (the "Guarantor"); and

(b) JPMorgan Chase Bank, N.A, a national banking association, as the administrative agent for the Lenders party to the below-mentioned Credit Agreement (in such capacity, together with any other Person that becomes Administrative Agent pursuant to Section 8.08 thereof, the "Administrative Agent").

### PRELIMINARY STATEMENTS

Reference is made to the Credit Agreement dated as of the date hereof (the "Credit Agreement"), among Millennium Pipeline Company, L.L.C., a Delaware limited liability company ("Millennium"), the lenders party thereto (together with each other person who becomes a lender thereunder, collectively, the "Lenders"), the Administrative Agent and the other agents named therein. It is a condition precedent to the effectiveness of the Credit Agreement that the Guarantor shall have executed and delivered this Agreement.

Now therefore, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

### ARTICLE I.

#### DEFINITIONS; ACCOUNTING TERMS; INTERPRETATION

Section 1.01 Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"Accelerated Amount" has the meaning specified in each of Sections 2.01(e) and 2.01(f).

"Administrative Agent" has the meaning specified in the introduction to this Agreement.

"Affiliate" of any Person means (i) any Person directly or indirectly controlled by, controlling or under common control with such first Person (ii) any director or officer of such first Person or of any Person referred to in clause (i) above and (iii) if any Person in clause (i) above is an individual, any member of the immediate family (including parents, siblings, spouse and children) of such individual and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is controlled by any such member or trust. For purposes of this definition, any Person that owns directly or indirectly 20% or more of the securities having ordinary voting power for the election of directors or other governing body of a corporation or 20% or more of the partnership or other ownership interests of any other Person (other than as a limited partner of such other Person) will be deemed to "control" (including, with its correlative meanings, "controlled by" and "under common control with") such corporation or other Person.

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“ Agreement ” has the meaning specified in the introduction to this Agreement ( *subject , however , to Section 1.03(v)* ).

“ Approved Guarantor ” has the meaning specified in the Credit Agreement.

“ Bankruptcy Code ” has the meaning specified in Section 2.01(a) .

“ Benefit Arrangement ” has the meaning specified in the Credit Agreement.

“ Board of Directors ” has the meaning specified in the Credit Agreement.

“ Business Day ” has the meaning specified in the Credit Agreement.

“ Capital Lease Obligations ” has the meaning specified in the Credit Agreement.

“ Capital Stock ” has the meaning specified in the Credit Agreement.

“ Code ” means the Internal Revenue Code of 1986, as amended from time to time.

“ Commitment ” has the meaning specified in the Credit Agreement.

“ Communications ” has the meaning specified in Section 7.01 .

“ Credit Agreement ” has the meaning specified in the Preliminary Statements.

“ Default ” means any event or condition which upon notice, lapse of time or both, would, unless cured or waived, become an Event of Default.

“ Default Rate ” means the applicable interest rate specified in Section 2.11(c) of the Credit Agreement.

“ Defaulted Payment ” has the meaning specified in Section 2.01(d) .

“ dollars ” or “ \$ ” refers to lawful money of the United States.

“ DTE ” means *DTE Energy Company, a corporation organized under the laws of the State of Michigan*.

“ Effective Date ” has the meaning specified in the Credit Agreement.

“ Environmental Laws ” has the meaning specified in the Credit Agreement.

“ Environmental Liability ” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Guarantor or any Subsidiary of the Guarantor directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release of any Hazardous Materials into the environment, or (e) any contract,

agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” has the meaning specified in the Credit Agreement.

“ERISA Group” means the Guarantor, any Subsidiary of the Guarantor and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Guarantor or any Subsidiary of the Guarantor, are treated as a single employer under Section 414 of the Code.

“Event of Default” has the meaning specified in Article VI.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Execution Date” means the earliest date upon which all of the following shall have occurred: counterparts of this Agreement shall have been executed by the Guarantor and the Administrative Agent, and the latter shall be in possession of counterparts hereof which taken together, bear the signatures of both.

“GAAP” has the meaning specified in the Credit Agreement.

“Governmental Authority” has the meaning specified in the Credit Agreement.

“Guarantee” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; *provided*, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

“Guaranteed Obligations” has the meaning specified in Section 2.01(a).

“Guarantor” has the meaning specified in the introduction to this Agreement.

“Guarantor’s Credit Agreement” means the Amended and Restated Revolving Credit Agreement, dated as of 7 July 2006, among NiSource Finance Corp., NiSource and, among others, the lenders and agents party thereto, as the same has been and may be amended or restated from time to time and any similar agreement that replaces or refinances such Guarantor’s Credit Agreement.



“Guarantor’s Share” has the applicable meaning specified in Section 2.05(a) or Section 2.05(b), as the case may be.

“Hazardous Materials” has the meaning specified in the Credit Agreement.

“Hedging Agreement” has the meaning specified in the Credit Agreement.

“Indebtedness” has the meaning specified in the Credit Agreement.

“Initial Guarantor” means each of the Guarantor and each Other Initial Guarantor.

“Issuing Banks” has the meaning specified in the Credit Agreement.

“Keyspan” means Keyspan Corporation, a corporation organized under the laws of the State of New York.

“LC Disbursement” has the meaning specified in the Credit Agreement.

“Lenders” has the meaning specified in the Preliminary Statements.

“Letter of Credit” has the meaning specified in the Credit Agreement.

“Lien” has the meaning specified in the Credit Agreement.

“Loan Documents” has the meaning specified in the Credit Agreement and includes this Agreement and each Other Guaranty Agreement.

“Loans” has the meaning specified in the Credit Agreement.

“Material Adverse Effect” means, relative to any occurrence of whatever nature, a material adverse effect on (a) the business, assets, liabilities or financial condition of the Guarantor and its Subsidiaries taken as a whole, (b) the ability of the Guarantor to perform its obligations hereunder or under any other Loan Document or (c) the rights of the Administrative Agent, any Issuing Bank or any Lender against the Guarantor under any material provision of this Agreement or any other Loan Document.

“Millennium” has the meaning specified in the Preliminary Statements.

“Multiemployer Plan” has the meaning specified in the Credit Agreement.

“NiSource” means NiSource Inc., a corporation organized under the laws of the State of Delaware.

“Note” has the meaning specified in the Credit Agreement.

“Obligations” has the meaning specified in the Credit Agreement.

“Other Guarantor” means the Other Initial Guarantors and, if it shall become a party as a guarantor to an Other Guaranty Agreement, an Approved Guarantor.

“Other Guaranty Agreement” means an agreement of Guarantee to which an Other Guarantor is party as guarantor; *provided* that each Other Guaranty Agreement entered into by an Approved Guarantor (a) shall contain operative guaranty provisions and appurtenant definitions substantially identical with (and in the case of said operative provisions numbered identically with) those of Article II of this Agreement and appurtenant definitions (except that (1) the “Stated Percentage” of the Approved Guarantor thereunder shall be a percentage which, when added to the Stated Percentage of the Guarantor hereunder and the “Stated Percentage” of each Other Guarantor under its respective Other Guaranty Agreement (in each case giving effect to the contemporaneous reduction thereof as herein and therein provided) total 100%, and (2) said agreement shall contain appropriate modifications of Section 2.01(b) thereof), (b) shall contain representations and warranties and financial covenants and appurtenant definitions substantially identical with those contained in its senior unsecured credit facility, and (c) shall be in all respects in form, scope and substance reasonably satisfactory to the Administrative Agent.

“Other Initial Guarantor” means each of Keyspan and DTE.

“PBGC” has the meaning specified in the Credit Agreement.

“Person” has the meaning specified in the Credit Agreement.

“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Guarantor or any member of its ERISA Group is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “*employer*” as defined in Section 3(5) of ERISA.

“Principal Office” has the meaning specified in the Credit Agreement.

“Required Lenders” has the meaning specified in the Credit Agreement.

“Requirement of Law” has the meaning specified in the Credit Agreement.

“Responsible Officer” means the President, any Vice President, Chief Executive Officer, Chief Financial Officer, Controller or Treasurer of the Guarantor.

“SEC” has the meaning specified in the Credit Agreement.

“SEC Reports” has the meaning specified in Section 3.06.

“Stated Percentage” means, with respect to the Guarantor, the percentage as in effect on the date hereof corresponding to its direct or indirect membership interest in Millennium, as the same may be reduced solely as provided in Section 2.01(c).

“Subsidiary” means, with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other

entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent. Unless the context otherwise clearly requires, references in this Agreement to a "Subsidiary" or the "Subsidiaries" refer to a Subsidiary or the Subsidiaries of the Guarantor.

"Taxes" has the meaning specified in the Credit Agreement.

"Transactions" has the meaning specified in the Credit Agreement.

"Transfer" has the meaning specified in Section 2.01(c).

"United States" and "U.S." each means United States of America.

"Withdrawal Liability" has the meaning specified in the Credit Agreement.

Section 1.02 Accounting Terms; Changes in GAAP. All accounting and financial terms used herein and not otherwise defined herein shall be determined in accordance with GAAP applied by the Guarantor on a consistent basis, except to the extent that a deviation therefrom is expressly stated.

Section 1.03 Interpretation. In this Agreement, unless a clear contrary intention appears:

- (i) the singular number includes the plural number and vice versa;
- (ii) reference to any gender includes each other gender;
- (iii) the words "*herein*", "*hereof*" and "*hereunder*" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision;
- (iv) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually; *provided* that nothing in this clause (iv) is intended to authorize any assignment not otherwise permitted by this Agreement;
- (v) except as expressly provided to the contrary herein, reference to any agreement, document or instrument (including this Agreement) means such agreement, document or instrument as amended, supplemented or modified, or extended, renewed, refunded, substituted or replaced, and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof, and reference to any Note or other note or Indebtedness or other indebtedness includes any note or indebtedness issued pursuant hereto in extension or renewal or refunding thereof or in substitution or replacement therefor;

(vi) unless the context indicates otherwise, reference to any Article, Section, Schedule or Exhibit means such Article or Section hereof or such Schedule or Exhibit hereto;

(vii) the word “ *including* ” (and with correlative meaning “ *include* ”) means including, without limiting the generality of any description preceding such term;

(viii) with respect to the determination of any period of time, except as expressly provided to the contrary, the word “ *from* ” means “ *from and including* ” and the word “ *to* ” means “ *to but excluding* ”;

(ix) reference to any law, rule or regulation means such as amended, modified, codified or reenacted, in whole or in part, and in effect from time to time; and

(x) the words “ *asset* ” and “ *property* ” shall be construed to have the same meaning and effect and refer to any and all tangible and intangible assets and properties.

## ARTICLE II. PERCENTAGE GUARANTY

### Section 2.01 Percentage Guaranty by Guarantor.

(a) *Percentage Guaranty.* In consideration of, and in order to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make the Loans and each Issuing Bank to issue Letters of Credit thereunder, the Guarantor hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise (disregarding for this purpose any requirement of the Credit Agreement that notice be given and/or a grace period elapse before the nonpayment thereof by Millennium shall constitute an event of default thereunder), of the Obligations of Millennium, now or hereafter existing under the Credit Agreement, the other Loan Documents and any Hedging Agreements relating to such Obligations the counterparty to which is a Lender or an Affiliate of a Lender, in each case, to which Millennium is a party, whether for principal, interest (including interest accruing or becoming owing both prior to and subsequent to the commencement of any proceeding against or with respect to Millennium under any chapter of Title 11 of the United States Code, as now or hereafter in effect, or any successor thereto (the “ Bankruptcy Code ”)), fees, commissions, expenses (including reasonable attorneys’ fees and expenses) or otherwise (all such Obligations being the “ Guaranteed Obligations ”); *provided, however*, that the Guarantor’s liability under its guaranty set forth above shall in no event exceed an amount equal to its Stated Percentage of the Guaranteed Obligations or, with respect to any Defaulted Payment or Accelerated Amount, the amounts determined under paragraphs (d), (e) and (f) below (it being understood, however, that, in the manner and to the extent provided in the following Section 2.02, the Guarantor may, in its sole discretion and being under no obligation to do so, elect to assume all or a portion of the obligations under one or more Other Guaranty Agreements, and thus become obligated to pay Guaranteed Obligations in excess of an amount equal to its Stated Percentage thereof). The guaranty set forth in this Section 2.01 is a guaranty of payment and not a guaranty of collection, and the obligations of the Guarantor in

respect thereof shall not in any way be dependent upon or affected by any payment, or failure of payment, by an Other Guarantor of any amount owing by such Other Guarantor under its Other Guaranty Agreement (or any other Loan Document) or conditioned upon any attempt to collect from Millennium or any other Guarantor or any other action, event, occurrence or circumstance whatsoever. The Guarantor also agrees to pay any and all reasonable expenses incurred by each Lender and the Administrative Agent in enforcing this Agreement against the Guarantor.

(b) *Guarantor's Initial Stated Percentage*. On and as of the Execution Date and thereafter, unless and until reduced as provided in Section 2.01(c), the Guarantor's Stated Percentage is 47.5%, which, on the date hereof, equals its percentage ownership of the member interests of Millennium directly or indirectly owned by it. On and as of the Execution Date, each of the Other Initial Guarantors are party to an Other Guaranty Agreement, and each Other Initial Guarantor has a "Stated Percentage", under and as defined in its respective Other Guaranty Agreement (unless and until reduced as provided in Section 2.01(c) thereof), in the aggregate equal to 52.5%, which is, on the date hereof, equal to such Other Initial Guarantors' percentage ownership of the member interests in Millennium.

(c) *Additional Other Guaranty; Reduction of Guarantor's Stated Percentage*. If, in connection with the sale, transfer or other disposition of all or a portion of the member interests in Millennium, directly or indirectly owned by it, including as a result of the admission of a new member to Millennium (a "Transfer"), the Guarantor desires to reduce its Stated Percentage commensurate with the amount of ownership interest so transferred, then the Guarantor shall notify the Administrative Agent of its intent to make such Transfer and shall provide such information as the Administrative Agent may reasonably request in connection with such proposed Transfer, including the name of the proposed transferee, the name of the proposed guarantor, the percentage ownership interest being transferred and the date of the proposed Transfer. Unless such Transfer is to a Person who is directly or indirectly controlled by an Approved Guarantor, the Administrative Agent shall, as soon as practical after receipt of such information, seek a vote of the Lenders to determine if such proposed guarantor shall become an Approved Guarantor. Upon the execution and delivery by any Approved Guarantor of an Other Guaranty Agreement wherein it shall have guaranteed, pursuant to such Other Guaranty Agreement, a percentage of the Obligations like unto the percentage of the member interests in Millennium directly or indirectly acquired by it or directly or indirectly granted to it in connection with such Transfer, the Stated Percentage of the Guarantor under this Agreement shall be automatically reduced (without the need for amendment or further action on the part of the Guarantor) by the amount of the "Stated Percentage" set forth in such Other Guaranty Agreement of such Approved Guarantor arising from the Transfer.

(d) *Manner and Effect of Payments*. Except as provided in Section 2.01(e) or (f) below, in the event that at any time or from time to time, one or more Guaranteed Obligations shall not be paid in full by Millennium when due as contemplated by Section 2.01(a) (each, a "Defaulted Payment"), the Guarantor shall, not later than the fifth (5<sup>th</sup>) Business Day following written notice from the Administrative Agent (specifying (1) each such Defaulted Payment, the due date thereof and the amount thereof not paid by Millennium and the Guarantor's share thereof, (2) the obligee to which each such Defaulted Payment is payable, and (3) an account in a bank or trust company in the United States to which payment shall be remitted to or for the account of each such obligee) pay to the obligee of such Defaulted Payment (or to the

Administrative Agent for its account, if the Credit Agreement shall so provide with respect to the Guaranteed Obligation constituting such Defaulted Payment), by wire transfer of funds, immediately available at the place of payment, to the account specified in the Administrative Agent's notice, an amount equal to *the sum of (A) the product of (x) the amount of such Defaulted Payment so specified which has not been so paid by Millennium, multiplied by (y) a decimal fraction equal to the Guarantor's then Stated Percentage, plus* , (B) to the extent owed under the Credit Agreement and without duplication as to amounts included in the Defaulted Payment, an amount equal to interest on the amount specified in the preceding clause (A) at the Default Rate from the date on which such Defaulted Payment was due to the date of such payment by the Guarantor. Each payment by the Guarantor pursuant to this Section 2.01 shall be accompanied by a written notice which shall advise the payee that such payment is a payment in respect of the Guarantor's obligations under this Section 2.01, shall specify the Defaulted Payment(s) in respect of which such payment is being paid and refer specifically to the Administrative Agent's notice in connection therewith. If each of the Guarantor and the Other Guarantors shall pay in full the amount required to be paid by it in respect of a Defaulted Payment under this Section 2.01 or Section 2.01 of the applicable Other Guaranty Agreement, as the case may be, within the time herein and therein provided (or, if paid within the time period permitted for the assumption of such obligation in accordance with Section 2.02 or Section 2.02 of the applicable Other Guaranty Agreement, as the case may be), then as provided in Section 7.01 of the Credit Agreement any default or event of default arising under the Credit Agreement solely by reason of Millennium's failure to make timely payment in full of such Defaulted Payment (or, in the case of a defaulting Other Guarantor whose obligations have been assumed and paid in accordance with Section 2.02, the Event of Default arising under the Other Guaranty of the defaulting Other Guarantor) shall be deemed cured and waived, and the Administrative Agent shall send written notice thereof to Millennium, the Lenders, the Guarantor and each Other Guarantor (but such cure and waiver shall not extend to any other Defaulted Payment as to which the Guarantor and each Other Guarantor shall not have fully complied with this Section 2.01 and, if applicable, Section 2.02 or Section 2.01 and, if applicable, Section 2.02 of the applicable Other Guaranty Agreement, as the case may be); *provided, however* , that no such cure or waiver shall be deemed to have occurred for purposes of exercise of the subrogation rights of the Guarantor under Section 2.04 hereof or of an Other Guarantor under Section 2.04 of its Other Guaranty Agreement, as the case may be, unless the Guarantor or Other Guarantors making payment shall have (i) paid in full all obligations of Millennium and the commitments under the Credit Agreement have been terminated or (ii) irrevocably assumed the obligations of the defaulting Other Guarantor pursuant to Section 2.02 or Section 2.02 of the applicable Other Guaranty Agreement, as the case may be.

(e) *Acceleration of Guaranteed Obligations due to Default or Event of Default under the Credit Agreement* . Notwithstanding Section 2.01(d), if at any time, (1) any default or event of default arising under Section 7.01 of the Credit Agreement shall have occurred and be continuing (other than pursuant to clause (k) thereof) and (2) the maturity of all Obligations shall have been accelerated as provided in Section 7.01 of the Credit Agreement (such amount, an "Accelerated Amount"), then the Guarantor, not later than the tenth (10<sup>th</sup>) Business Day following such acceleration (taking into account the five (5) Business Days afforded under Section 2.01(d) above) shall make payment to the Administrative Agent, by wire transfer of funds, immediately available at the account specified by the Administrative Agent, an amount equal to *the sum of (A) the product of (x) the amount of such Accelerated Amount,*

*multiplied by (y) a decimal fraction equal to the Guarantor's then Stated Percentage, plus , (B) to the extent owed under the Credit Agreement and without duplication as to amounts included in the Accelerated Amount, an amount equal to interest on the amount specified in the preceding clause (A) at the Default Rate from the date on which such Accelerated Amount was due to the date of such payment by the Guarantor.*

*(f) Acceleration of Guaranteed Obligations due to Other Guarantor Event of Default . Notwithstanding Section 2.01(d), if at any time (1) any default or event of default arising under Section 7.01(k) of the Credit Agreement shall have occurred and be continuing (other than pursuant to this Agreement), (2) the maturity of all Obligations shall have been accelerated as provided in Section 7.01 of the Credit Agreement (such amount, an "Accelerated Amount"), and (3) the Guarantor shall not be in breach or default of any of its obligations under this Agreement, then the Guarantor, not later than the thirtieth (30<sup>th</sup>) day following such acceleration (taking into account the five (5) Business Days afforded under Section 2.01(d) above) shall make payment to the Administrative Agent, by wire transfer of funds, immediately available at the account specified by the Administrative Agent, an amount equal to *the sum of (A) the product of (x) the amount of such Accelerated Amount, multiplied by (y) a decimal fraction equal to the Guarantor's then Stated Percentage, plus , (B) to the extent owed under the Credit Agreement and without duplication as to amounts included in the Accelerated Amount, an amount equal to interest on the amount specified in the preceding clause (A) at the Default Rate from the date on which such Accelerated Amount was due to the date of such payment by the Guarantor.**

*(g) No Application of Other Payments . No payments (1) made by the Guarantor at any time or from time to time in respect of the Guaranteed Obligations by reason of its assumption of the obligations of an Other Guarantor under its Other Guaranty Agreement under the following Section 2.02, or (2) made by an Other Guarantor at any time or from time to time in respect of the Guaranteed Obligations by way of its payment, in whole or part, of a "Defaulted Payment" (under and as defined in Section 2.01(d) of its Other Guaranty Agreement), shall be credited to, reduce or in any way diminish obligations of the Guarantor in respect of its Stated Percentage of the Guaranteed Obligations under this Section 2.01.*

Section 2.02 Guarantor's Option to Assume Obligations of Other Guarantor(s). If at any time or from time to time (1) a default or event of default under Section 7.01 of the Credit Agreement shall have occurred and be continuing by reason of any action of, failure to act by, or other event, circumstance or condition pertaining to, an Other Guarantor (including a failure of such Other Guarantor to make any payment required to be made by it under Section 2.01 of its Other Guaranty Agreement), (2) the maturity of all Obligations shall not at the time have been accelerated as provided in Section 7.01 of the Credit Agreement, and (3) the Guarantor shall have timely paid in full all amounts required to be paid by it under Section 2.01 above and shall not otherwise be in breach or default of any of its obligations under this Agreement, then the Administrative Agent shall promptly send written notice thereof to the Guarantor and the non-defaulting Other Guarantors, if any. In such event the Guarantor and the non-defaulting Other Guarantors, if any, shall have the option, by one or more instruments in writing reasonably satisfactory in form, scope and substance to the Administrative Agent (an executed copy of which shall be delivered to the Administrative Agent within fifteen (15) Business Days of its original notice of such default), to assume liability under and in respect of such defaulting Other

Guarantor's obligations under and in respect of Section 2.01 of such Other Guarantor's Other Guaranty Agreement. Such assumption shall be (and be stated in such written instrument to be) irrevocable, and the Guarantor's liability as so assumed shall be joint and several with that of such defaulting Other Guarantor. Without limiting the generality of the foregoing, in the event of such assumption, the Guarantor and the assuming Other Guarantors, if any, shall be liable to make any payment for which such defaulting Other Guarantor is liable at the time of such assumption, or for which it becomes liable thereafter, under Section 2.01 of such defaulting Other Guarantor's Other Guaranty Agreement. If the Guarantor, either alone or together with the other non-defaulting Other Guarantors, if any, shall timely assume the obligations of a defaulting Other Guarantor in accordance with the terms of this Section 2.02, and shall have paid in full to the obligee(s) thereof all payments for which such defaulting Other Guarantor was liable at the time of such assumption, then for purposes of Section 7.01 of the Credit Agreement any default or event of default arising under the Credit Agreement solely by reason of such action of, failure to act by, or other event, circumstance or condition pertaining to, such defaulting Other Guarantor shall be deemed cured, and the Administrative Agent shall send written notice thereof to Millennium, the Lenders, the Guarantor and the Other Guarantors; *provided, however*, that no such cure shall be deemed to have occurred for purposes of exercise of subrogation rights by the Guarantor under Section 2.04 hereof, or by a non-defaulting Other Guarantor under Section 2.04 of its Other Guaranty Agreement, unless the Guarantor or Other Guarantors making payment shall have (i) paid in full all obligations of Millennium and the commitments under the Credit Agreement have been terminated or (ii) irrevocably assumed the obligations of the defaulting Other Guarantor pursuant to Section 2.02 or Section 2.02 of the applicable Other Guaranty Agreement, as the case may be.

Section 2.03 Unconditional and Continuing Guaranty.

(a) *Guaranty Unconditional*. The Guarantor guarantees (to the extent of its Stated Percentage or any greater amount assumed in accordance with Section 2.02) that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Credit Agreement and the other Loan Documents. The Guarantor agrees that the Guaranteed Obligations and Loan Documents may be extended or renewed, and indebtedness thereunder repaid and reborrowed in whole or in part, without notice to or assent by the Guarantor, and that it will remain bound upon its guaranty contained in, and the other provisions of, this Agreement notwithstanding any extension, renewal or other alteration of any Guaranteed Obligations or such Loan Documents, or any repayment and reborrowing of Loans. Except as otherwise expressly provided in this Agreement or any other Loan Document to which the Guarantor is a party, the obligations of the Guarantor under this Agreement shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms hereof under any and all circumstances whatsoever, including:

(1) any modification, amendment, supplement, renewal, extension for any period, increase, decrease, alteration or rearrangement of all or any part of the Guaranteed Obligations, or of this Agreement or any other Loan Document executed in connection herewith, or any contract or understanding among the Guarantor, any Other Guarantor, Millennium, the Administrative Agent and/or the Lenders, or any other Person, pertaining to the Guaranteed Obligations;



(2) any adjustment, indulgence, forbearance or compromise that might be granted or given by the Lenders to the Guarantor, any Other Guarantor, Millennium, or any other Person liable on the Guaranteed Obligations;

(3) the insolvency, bankruptcy, arrangement, adjustment, composition, liquidation, disability, dissolution or lack of power of the Guarantor, any Other Guarantor, Millennium or any other Person at any time liable for the payment of all or part of the Guaranteed Obligations; or any dissolution of the Guarantor, any Other Guarantor, Millennium or any sale, lease or transfer of any or all of the assets of the Guarantor, any Other Guarantor, or Millennium, or any changes in the owners of the equity of the Guarantor, any Other Guarantor, Millennium, or any reorganization of the Guarantor, any Other Guarantor, or Millennium;

(4) the invalidity, illegality or unenforceability of all or any part of the Guaranteed Obligations, or any document or agreement executed in connection with the Guaranteed Obligations, for any reason whatsoever, including the fact that (A) the Guaranteed Obligations, or any part thereof, exceeds the amount permitted by law, (B) the act of creating the Guaranteed Obligations or any part thereof is *ultra vires*, (C) the officers or representatives executing the documents or otherwise creating the Guaranteed Obligations acted in excess of their authority, (D) the Guaranteed Obligations or any part thereof violate applicable usury laws, (E) the Guarantor, any Other Guarantor, or Millennium has valid defenses, claims and offsets (whether at law or in equity, by agreement or by statute) which render the Guaranteed Obligations wholly or partially uncollectible from the Guarantor, any Other Guarantor, or Millennium, (F) the creation, performance or repayment of the Guaranteed Obligations (or execution, delivery and performance of any document or instrument representing part of the Guaranteed Obligations or executed in connection with the Guaranteed Obligations, or given to secure the repayment of the Guaranteed Obligations) is illegal, uncollectible, legally impossible or unenforceable, or (G) this Agreement, any other Loan Document, or any other document or instrument pertaining to the Guaranteed Obligations, has been forged or otherwise is irregular or not genuine or authentic;

(5) any full or partial release of the liability of the Guarantor, any Other Guarantor, or Millennium on the Guaranteed Obligations or any part thereof, or of any other Person now or hereafter liable, whether directly or indirectly, jointly, severally, or jointly and severally, to pay, perform, guarantee or assure the payment of the Guaranteed Obligations or any part thereof; it being recognized, acknowledged and agreed by the Guarantor that the Guarantor may be required to pay an amount equal to its Stated Percentage of, and as herein provided may elect or obligate itself, but will not be required, to pay a greater percentage of, the Guaranteed Obligations without assistance or support of any other Person, and the Guarantor has not been induced to enter into this Agreement on the basis of a contemplation, belief, understanding or agreement that any other Person (other than the Other Guarantors) will be liable to perform the Guaranteed Obligations, or that the Administrative Agent or any Lender will look to any other Person (other than the Other Guarantors) to perform the Guaranteed Obligations;

(6) the taking or accepting of any other security, collateral or guaranty, or other assurance of payment, for all or any part of the Guaranteed Obligations;

(7) any release, surrender, exchange, subordination, deterioration, waste, loss or impairment of any collateral, property or security, at any time existing in connection with, or assuring or securing payment of, all or any part of the Guaranteed Obligations;

(8) the failure of the Administrative Agent, the Lenders or any other Person to exercise diligence or reasonable care in the preservation, protection, enforcement, sale or other handling or treatment of all or any part of such collateral, property or security;

(9) the fact that any collateral, security or Lien contemplated or intended to be given, created or granted as security for the repayment of the Guaranteed Obligations shall not be properly perfected or created, or shall prove to be unenforceable or subordinate to any other Lien; it being recognized and agreed by the Guarantor that the Guarantor is not entering into this Agreement in reliance on, or in contemplation of the benefits of, the validity, enforceability, collectibility or value of any collateral for the Guaranteed Obligations;

(10) any payment by Millennium or the Guarantor or any Other Guarantor to the Administrative Agent or any Lender is held to constitute a preference under bankruptcy laws, or for any other reason either the Administrative Agent or any Lender is required to refund such payment or pay such amount to Millennium or any other Person; or

(11) any other action taken or omitted to be taken with respect to this Agreement, any other Loan Document, the Guaranteed Obligations, or any security and collateral therefor, whether or not such action or omission prejudices the Guarantor or increases the likelihood that the Guarantor will be required to pay its Stated Percentage of the Guaranteed Obligations pursuant to the terms hereof;

it being the unambiguous and unequivocal intention of the Guarantor that the Guarantor shall be obligated to pay an amount equal to its Stated Percentage of the Guaranteed Obligations (or any greater amount assumed in accordance with Section 2.02) when due, notwithstanding any occurrence, circumstance, event, action, or omission whatsoever, whether contemplated or un contemplated, and whether or not otherwise or particularly described herein (including any circumstance whatsoever that might otherwise constitute a legal or equitable discharge of a surety or guarantor, including by reason of any future judicial decisions or legislations of any jurisdiction), except for the indefeasible full and final payment and satisfaction of the Guaranteed Obligations after the termination of the Commitments of all Lenders and the expiration or termination of all Letters of Credit.

(b) *Acceleration*. The Guarantor further agrees that, to the fullest extent permitted by law, as between the Guarantor and the Other Guarantors, on the one hand, and the Lenders and the Administrative Agent, on the other hand, (i) the maturity of the Guaranteed

Obligations may be accelerated as provided in the Credit Agreement for the purposes of this Agreement and each Other Guaranty Agreement, notwithstanding any stay, injunction or other prohibition preventing such acceleration of the Guaranteed Obligations, and (ii) in the event of any acceleration of the Guaranteed Obligations as provided in the Credit Agreement, the Guaranteed Obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantor and the Other Guarantors, in each case to the extent of its respective Stated Percentage thereof under and as defined herein or in the applicable Other Guaranty Agreement, as the case may be, for the purpose of this Agreement and such Other Guaranty Agreement.

Section 2.04 Subrogation. If a Guarantor shall make any payment to any obligee pursuant to Section 2.01 or 2.02, as the case may be, it shall (to the extent of the payment(s) so made) be subrogated to such obligee's rights against Millennium and/or each defaulting Other Guarantor, as the case may be; *provided, however*, that the Guarantor's rights of subrogation against Millennium and, unless all of the Obligations of such defaulting Other Guarantor have been irrevocably assumed by an Approved Guarantor, the defaulting Other Guarantors shall be subject and subordinate to, and the Guarantor agrees that it shall take no action to exercise such rights until, in the case of action against Millennium, the prior indefeasible payment in full to the respective obligee or obligees thereof of all principal, interest and letter of credit enforcement costs under the Credit Agreement and the other Loan Documents, whether due and payable, and, in the case of a defaulting Other Guarantor, the prior indefeasible payment in full to the respective obligee or obligees thereof of its ratable share of all principal, interest and letter of credit enforcement costs under the Credit Agreement and the other Loan Documents from such Other Guarantor, whether due and payable, all other amounts due and payable from such Other Guarantor and the cancellation of the commitments under the Credit Agreement.

Section 2.05 Excess Recovery. If at any time or from time to time (i) the Guarantor shall have made any payment in respect of a Defaulted Payment as provided in Section 2.01 or Section 2.02, and (ii) the obligee that is the payee of such payment(s) shall have received any other payment in respect of such Defaulted Payment from Millennium or any other party or parties, and (iii) as a result thereof, such obligee has received payments in respect of the Defaulted Payment aggregating more than 100% of the amount thereof, and the payments so received are indefeasible, the Guarantor shall be entitled to a refund from the payee equal to the Guarantor's Share of such excess. For purposes of the foregoing sentence:

(a) if each of the Guarantor and the Other Guarantors shall have fully honored its obligation in respect of the Defaulted Payment as set forth in Section 2.01 of this Agreement or Section 2.01 of the applicable Other Guaranty Agreement, as the case may be, the "Guarantor's Share" of such excess shall be the Guarantor's Stated Percentage thereof; or

(b) if any of the Guarantor and the Other Guarantors shall not have fully honored its obligation in respect of the Defaulted Payment as set forth in Section 2.01 of this Agreement or Section 2.01 of the applicable Other Guaranty Agreement, as the case may be, the "Guarantor's Share" of such excess shall be determined by multiplying the amount of such excess by a fraction of which the numerator is the aggregate of all payments made by the Guarantor in respect of Defaulted Payments under this Agreement, and the denominator is the

aggregate of the payments made by the Guarantor and the Other Guarantors in respect of Defaulted Payments under this Agreement and the Other Guaranty Agreements.

Section 2.06 Effect of Debtor Relief Laws. If after receipt of any payment of all or any part of the Guaranteed Obligations by Millennium or by the Guarantor, the Administrative Agent, an Issuing Bank or any Lender is for any reason compelled to surrender, or voluntarily surrenders, such payment to any Person (a) because such payment is or may be voided, invalidated, declared fraudulent, set aside, determined to be void or voidable as a preference, fraudulent conveyance, fraudulent transfer, impermissible set-off or a diversion of trust funds or (b) for any other reason, including (i) any judgment, decree or order of any court or administrative body having jurisdiction over the Administrative Agent, an Issuing Bank, any Lender or any of their respective properties or (ii) any settlement or compromise of any such claim effected by the Administrative Agent, an Issuing Bank or any Lender with any such claimant (including Millennium), then the Guaranteed Obligations or part thereof intended to be satisfied shall be reinstated and continue, and this Guaranty shall continue in full force as if such payment had not been received, notwithstanding any revocation thereof or the cancellation of any instrument evidencing any of the Guaranteed Obligations or otherwise; and the Guarantor shall be liable to pay the Administrative Agent, each Issuing Bank and the Lenders, and hereby does indemnify the Administrative Agent, each Issuing Bank and the Lenders and holds them harmless, for the Guarantor's Stated Percentage of the amount of such payment so surrendered (or, if such surrendered payment relates solely to amounts from the Guarantor, the amount so surrendered) and the Guarantor's Stated Percentage of all (or, if such surrendered payment relates solely to amounts received from the Guarantor, all) reasonable expenses (including reasonable attorneys' fees, court costs and expenses attributable thereto) incurred by the Administrative Agent, an Issuing Bank or any Lender in the defense of any claim made against it that any payment received by the Administrative Agent, an Issuing Bank or any Lender in respect of all or part of the Guaranteed Obligations must be surrendered, other than any claim that has been found in a final nonappealable ruling by a court of competent jurisdiction to have arisen from the gross negligence or intentional misconduct of such Administrative Agent's, Issuing Bank's or Lender's obligations under any Loan Document. The provisions of this Section 2.06 shall survive the termination of this Agreement, and any satisfaction and discharge of Millennium by virtue of any payment, court order or any Federal or state law.

Section 2.07 Waiver. The Guarantor hereby waives promptness, diligence, notice of acceptance and, except as expressly herein provided, any other notice with respect to any of the Guaranteed Obligations and this Guaranty and waives presentment, demand for payment, notice of intent to accelerate, notice of dishonor or nonpayment and any requirement that the Administrative Agent, an Issuing Bank or any Lender institute suit, collection proceedings or take any other action to collect the Guaranteed Obligations, including any requirement that the Administrative Agent, an Issuing Bank or any Lender exhaust any right or take any action against Millennium, any Other Guarantor or any other Person or any collateral (it being the intention of the Administrative Agent, the Lenders and the Guarantor that the guaranty contained in this Agreement is to be a guaranty of payment and not of collection). It shall not be necessary for the Administrative Agent, an Issuing Bank or any Lender, in order to enforce any payment by the Guarantor hereunder, to institute suit or exhaust its rights and remedies against Millennium, any Other Guarantor or any other Person, including others liable to pay any Guaranteed Obligations, or to enforce its rights against any security ever given to secure payment thereof.

The Guarantor hereby expressly waives to the maximum extent permitted by applicable law each and every right to which it may be entitled by virtue of the suretyship laws of the State of New York or any other state in which it may be located.

Section 2.08 Full Force and Effect. This Agreement and the guaranty set forth herein constitute a continuing guaranty and shall remain in full force and effect until all of the Guaranteed Obligations under this Agreement and the other Loan Documents to which Millennium is a party and all other amounts payable under this Agreement have been paid in full (after the termination of the Commitments of the Lenders and the termination or expiration of all outstanding Letters of Credit). All rights, remedies and powers provided in this Agreement may be exercised, and all waivers contained in this Agreement may be enforced, only to the extent that the exercise or enforcement thereof does not violate any provisions of applicable law which may not be waived.

### **ARTICLE III. REPRESENTATIONS AND WARRANTIES**

The Guarantor makes the following representations and warranties to the Administrative Agent and the Lenders:

Section 3.01 Organization and Qualification. The Guarantor (a) is a corporation, partnership or limited liability company duly organized or formed, validly existing and in good standing under the laws of the state of its incorporation, organization or formation, (b) has all requisite corporate, partnership, limited liability company or other power and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted and (c) is duly qualified to do business and is in good standing in every jurisdiction in which the failure to be so qualified would, individually or together with all such other failures of the Guarantor and its Subsidiaries, have a Material Adverse Effect.

Section 3.02 Authorization, Validity, Etc. The Guarantor has all requisite corporate and other power and authority to execute and deliver, and to incur and perform its obligations under this Agreement and under the other Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its behalf. This Agreement has been duly and validly executed and delivered by or on behalf of the Guarantor and constitutes a valid and legally binding agreement of the Guarantor enforceable against the Guarantor in accordance with the respective terms thereof, except (a) as may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, fraudulent conveyance or other similar laws relating to or affecting the enforcement of creditors' rights generally, and by general principles of equity (including principles of good faith, reasonableness, materiality and fair dealing) which may, among other things, limit the right to obtain equitable remedies (regardless of whether considered in a proceeding in equity or at law) and (b) as to the enforceability of provisions for indemnification for violation of applicable securities laws, limitations thereon arising as a matter of law or public policy.

Section 3.03 Governmental Consents, Etc. No authorization, consent, approval, license or exemption of or registration, declaration or filing with any Governmental Authority, is necessary for the valid execution and delivery of, or the incurrence and performance by the

Guarantor of its obligations under, this Agreement and any other Loan Document to which it is a party, except those that have been obtained and such matters relating to performance as would ordinarily be done in the ordinary course of business after the Execution Date.

Section 3.04 No Breach or Violation of Agreements or Restrictions, Etc. Neither the execution and delivery of, nor the incurrence and performance by the Guarantor of its obligations under, this Agreement and the other Loan Documents to which it is a party, will (a) breach or violate any applicable Requirement of Law, (b) result in any breach or violation of any of the terms, covenants, conditions or provisions of, or constitute a default under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of its property or assets (other than Liens created or contemplated by this Agreement) pursuant to the terms of, any indenture, mortgage, deed of trust, agreement or other instrument to which it or any of its Subsidiaries is party or by which any of its properties or assets, or those of any of its Subsidiaries is bound or to which it is subject, except for breaches, violations and defaults under clauses (a) and (b) that neither individually nor in the aggregate could reasonably be expected to result in a Material Adverse Effect, or (c) violate any provision of the organic documents of the Guarantor.

Section 3.05 Properties. The Guarantor has good title to, or valid leasehold or other interests in, all its real and personal property material to its business, except for Liens permitted under Section 6.01(a) of the Guarantor's Credit Agreement, and except for such defects which could not, in each case, reasonably be expected to result in a Material Adverse Effect.

Section 3.06 Litigation and Environmental Matters. There is no action, suit or proceeding (including those under Environmental Laws) by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Guarantor, threatened against or affecting the Guarantor or any of the Subsidiaries (i) which could reasonably be expected to result in a Material Adverse Effect other than those disclosed in the annual, quarterly and current reports filed by the Guarantor with the SEC pursuant to the Exchange Act (the "SEC Reports") prior to the date hereof or (ii) that involves this Agreement or the Transactions.

Section 3.07 Financial Statements. (a) (i) The consolidated balance sheet of the Guarantor as at December 31, 2006 and the related consolidated statements of income and cash flows of the Guarantor for the fiscal year ended on said date, with the opinion thereon of Deloitte & Touche LLP, and (ii) the consolidated balance sheet of the Guarantor as at June 30, 2007 and the related consolidated statements of income and cash flows of the Guarantor for the fiscal quarter ended on said date, in each case, fairly present, in conformity with GAAP (subject to normal year-end adjustments with respect to the financial statements at and for the period ending June 30, 2007), the consolidated financial position of the Guarantor as of such date and its consolidated results of operations and cash flows for such period or fiscal year, as the case may be.

(b) Since December 31, 2006, there has been no material adverse change in the business, assets, liabilities or financial condition of the Guarantor and its Subsidiaries, taken as a whole, other than as disclosed in the SEC Reports prior to the date hereof.

Section 3.08 Disclosure. All information heretofore furnished by the Guarantor to the Administrative Agent or any Lender, taken as a whole, for purposes of or in connection with this

Agreement or any of the Transactions is, and all such information hereafter furnished by the Guarantor to the Administrative Agent or any Lender, taken as a whole, will be, true and accurate in all material respects on the date as of which such information is stated or certified. None of the reports, financial statements, certificates or other information furnished by or on behalf of the Guarantor to the Administrative Agent or any Lender in connection with the syndication of the Credit Agreement or the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Section 3.09 Investment Company Act. The Guarantor is not, nor is regulated as, an “*investment company*,” as such term is defined in the Investment Company Act of 1940, as amended.

Section 3.10 ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA, which waiver, failure or liability could reasonably be expected to result in a Material Adverse Effect.

Section 3.11 Tax Returns and Payments. The Guarantor has caused to be filed all federal income tax returns and other material tax returns, statements and reports (or obtained extensions with respect thereto) which are required to be filed and have paid or deposited or made adequate provision in accordance with GAAP for the payment of all taxes (including estimated taxes shown on such returns, statements and reports) which are shown to be due pursuant to such returns, except for taxes being contested in good faith by appropriate proceedings for which adequate reserves in accordance with GAAP have been created on the books of the Guarantor and where the failure to pay such taxes would not have a Material Adverse Effect.

Section 3.12 Compliance with Laws and Agreements. The Guarantor is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

Section 3.13 Foreign Assets Control Regulations, etc. The Guarantor (i) is not, and will not 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 and (ii) does not, and will not, knowingly, after or upon due investigation, engage in any dealings or transactions, and is not, and will not be otherwise, associated with any such Person in

violation of the regulations implemented and enforced by the Office of Foreign Assets Control. The Guarantor is in compliance in all material respects with the Bank Secrecy Act, as amended by the USA Patriot Act, to the extent applicable.

**ARTICLE IV.  
AFFIRMATIVE COVENANTS**

Until the Guaranteed Obligations are indefeasibly paid in full after the Commitments have expired or been terminated, the Guarantor covenants and agrees with the Administrative Agent, for the benefit of the Lenders, that it will comply with each affirmative covenant set forth in Article V of the Guarantor's Credit Agreement (giving effect to any amendment, restatement, replacement or waiver in respect thereof made in accordance with the terms and conditions thereof; *provided* that if such Guarantor's Credit Agreement is terminated without being refinanced or replaced, such affirmative covenants will remain incorporated in their final form (excluding any amendment or waiver made in connection with the termination of such Guarantor's Credit Agreement) until such time as a new replacement credit agreement, if any, is entered into by the Guarantor). The Guarantor hereby covenants and agrees to deliver to the Administrative Agent copies of all notices as and when required to be delivered to the applicable agent under Section 5.01(h) of the Guarantor's Credit Agreement; *provided* that any documents which are required to be delivered pursuant to such Section may be delivered electronically and shall be deemed to be delivered if delivered or posted on the Guarantor's IntraLinks, or other relevant, website, to which the Administrative Agent has access; provided that the Administrative Agent has been given notice of each such posting.

**ARTICLE V.  
NEGATIVE COVENANTS**

Until the Guaranteed Obligations are indefeasibly paid in full after the Commitments have expired or been terminated, the Guarantor covenants and agrees with the Administrative Agent, for the benefit of the Lenders, that it will comply with each negative covenant set forth in Article VI of the Guarantor's Credit Agreement (giving effect to any amendment, restatement, replacement or waiver in respect thereof made in accordance with the terms and conditions thereof; *provided* that if such Guarantor's Credit Agreement is terminated without being refinanced or replaced, such negative covenants will remain incorporated in their final form (excluding any amendment or waiver made in connection with the termination of such Guarantor's Credit Agreement) until such time as a new replacement credit agreement, if any, is entered into by the Guarantor).

**ARTICLE VI.  
EVENTS OF DEFAULT**

If any of the following events (each an "Event of Default") shall occur and be continuing:

(a) an "Event of Default" under and as defined in Article VII of the Guarantor's Credit Agreement (giving effect to any amendment, restatement, replacement or waiver in respect thereof made in accordance with the terms and conditions thereof; *provided* that if such Guarantor's Credit Agreement is terminated without being refinanced or replaced,



such events of default will remain incorporated in their final form (excluding any amendment or waiver made in connection with the termination of such Guarantor's Credit Agreement) until such time as a new replacement credit agreement, if any, is entered into by the Guarantor);

(b) the Guarantor shall fail to perform or observe its payment obligations pursuant to Article II hereof within the applicable time period specified therein; or

(c) the Guarantor shall fail to perform or observe its obligations hereunder (other than payment obligations) or any other Loan Document to which it is a party within the time period specified herein and such failure shall continue for a period of 30 days after notice from the Administrative Agent,

then, in any such event, and at any time thereafter, the Administrative Agent, may, and upon the written request of the Required Lenders shall, by written notice (including notice sent by telecopy) to the Guarantor take any or all of the following actions, without prejudice to the rights of the Administrative Agent, any Lender or other beneficiary of any of the Guaranteed Obligations to enforce its claims against the Guarantor:

(i) declare the principal of and any accrued interest in respect of the Guaranteed Obligations owing under the Credit Agreement to be, whereupon the same shall become, forthwith due and payable hereunder without presentment, demand, notice of demand or of dishonor and nonpayment, protest, notice of protest, notice of intent to accelerate, declaration or notice of acceleration or any other notice of any kind, all of which are hereby waived; and (ii) exercise any rights or remedies under the Loan Documents.

## ARTICLE VII. MISCELLANEOUS

### Section 7.01 Notices, Etc.

(a) Except with respect to notices and other communications expressly permitted to be given by telephone, all notices, consents, requests, approvals, demands and other communications (collectively "Communications") provided for herein shall be in writing (including facsimile Communications) and mailed, telecopied or delivered:

(i) if to the Guarantor, to it at:

801 E 86th Avenue  
Merrillville, IN 46410  
Attention: Vice President and Treasurer  
Telecopy No.: 219-647-5520;

with a copy to:

801 E 86th Avenue  
Merrillville, IN 46410  
Attention: Director of Corporate Finance  
Telecopy No.: 219-647-6103;

(ii) if to the Administrative Agent, to it at:

10 South Dearborn, 9th Floor  
Mail Code IL1-0090  
Chicago, IL 60603  
Attention: Nancy R. Barwig  
Telecopy No: 312-732-1762;

with a copy to:

10 South Dearborn, 9th Floor  
Mail Code IL1-0874  
Chicago, IL 60603  
Attention: Lisa M. Tverdek  
Telecopy No: 312-325-3238;

or such other address or telecopy number as such party may hereafter specify for such purpose by notice to the other parties.

(b) The Administrative Agent or the Guarantor may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; *provided* that approval of such procedures may be limited to particular notices or communications.

(c) Either party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other party. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

Section 7.02 Waivers; Amendments. (a) No failure or delay by the Administrative Agent, in exercising, and no course of dealing with respect to, any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No notice to or demand on the Guarantor in any case shall entitle the Guarantor to any other or further notice or demand in similar or other circumstances. No waiver of any provision of this Agreement or consent to any departure therefrom shall in any event be effective unless the same shall be permitted by Section 7.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given.

(b) No provision of this Agreement may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Guarantor and the Administrative Agent as provided in Section 9.02 of the Credit Agreement.

Section 7.03 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby. Nothing in this Agreement, expressed or implied, shall be construed to

confer upon any Person (other than the parties hereto, the Lenders and their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement.

Section 7.04 Survival. All covenants, agreements, representations and warranties made by the Guarantor herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement.

Section 7.05 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement constitutes the entire contract among the parties hereto relating to the subject matter hereof and supersedes any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective when it shall have been executed by the Guarantor and the Administrative Agent. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other scanned electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

Section 7.06 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

Section 7.07 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Guarantor against any of and all the Guaranteed Obligations now or hereafter existing under this Agreement and the other Loan Documents held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement but only to the extent such amounts are then due under this Agreement. Each Lender agrees promptly to notify the Guarantor and the Administrative Agent after any such setoff and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such setoff. The rights of each Lender under this Section 7.07 are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

Section 7.08 Governing Law; Jurisdiction; Consent to Service of Process.

(a) This Agreement shall be construed in accordance with and governed by the laws of the State of New York.

**(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK SITTING IN THE BOROUGH OF MANHATTAN OR OF THE UNITED**

STATES FOR THE SOUTHERN DISTRICT OF NEW YORK AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY AND ASSETS, UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS WITH RESPECT TO ANY SUCH ACTION OR PROCEEDING. THE GUARANTOR FURTHER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO IT AT ITS ADDRESS PROVIDED IN SECTION 7.01, SUCH SERVICE TO BECOME EFFECTIVE THIRTY DAYS AFTER SUCH MAILING. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE GUARANTOR IN ANY OTHER JURISDICTION.

(c) THE GUARANTOR HEREBY IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY OF THE AFORESAID ACTIONS OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT BROUGHT IN THE COURTS REFERRED TO IN CLAUSE (b) ABOVE AND HEREBY FURTHER IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, THE RIGHT TO PLEAD OR CLAIM, AND AGREES NOT TO PLEAD OR CLAIM, THAT ANY SUCH ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(d) EACH PARTY HERETO HEREBY (i) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT PERMITTED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; (ii) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY HERETO HAS REPRESENTED, EXPRESSLY OR OTHERWISE, OR IMPLIED THAT SUCH PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS; AND (iii) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY AND THEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS SECTION 7.08.

Section 7.09 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY

**HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 7.09.**

Section 7.10 Confidentiality. The Administrative Agent and, by accepting the benefits of this Agreement, each of the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates, directors, officers and employees and to its agents, including accountants, legal counsel and other advisors who have been informed of the confidential nature of the information provided, (b) to the extent requested by any regulatory authority, including the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio, (c) to the extent a Lender reasonably believes it is required by applicable laws or regulations or by any subpoena or similar legal process (and such Lender will provide prompt notice thereof to the Guarantor), (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an understanding with such Person that such Person will comply with this Section 7.10, to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Guarantor or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section 7.10 or (ii) becomes available to the Administrative Agent, any Issuing Bank or any Lender from a source other than the Guarantor (unless such source is actually known by the individual providing the information to be bound by a confidentiality agreement or other legal or contractual obligation of confidentiality with respect to such information). For the purposes of this Section 7.10, "Information" means all information received from the Guarantor relating to it or its business, other than any such information that is known to a Lender, publicly known or otherwise available to the Administrative Agent, any Issuing Bank or any Lender other than through disclosure (a) by the Guarantor, or (b) from a source actually known to a Lender to be bound by a confidentiality agreement or other legal or contractual obligation of confidentiality with respect to such information. Any Person required to maintain the confidentiality of Information as provided in this Section 7.10 shall be considered to have complied with its obligation to do so if such Person maintains the confidentiality of such Information in accordance with procedures adopted in good faith to protect confidential Information of third parties delivered to a lender.

Section 7.11 EXCULPATION PROVISIONS. EACH OF THE PARTIES HERETO SPECIFICALLY AGREES THAT IT HAS A DUTY TO READ THIS AGREEMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS AND AGREES THAT IT IS CHARGED WITH NOTICE AND KNOWLEDGE OF THE TERMS OF THIS AGREEMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, THAT IT HAS IN FACT READ THIS AGREEMENT AND IS FULLY INFORMED AND HAS FULL NOTICE AND KNOWLEDGE OF THE TERMS, CONDITIONS AND EFFECTS

OF THIS AGREEMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS, THAT IT HAS BEEN REPRESENTED BY INDEPENDENT LEGAL COUNSEL OF ITS CHOICE THROUGHOUT THE NEGOTIATIONS PRECEDING ITS EXECUTION OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, HAS RECEIVED THE ADVICE OF ITS ATTORNEY IN ENTERING INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, AND THAT IT RECOGNIZES THAT CERTAIN OF THE TERMS OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS RESULT IN ONE PARTY ASSUMING THE LIABILITY INHERENT IN SOME ASPECTS OF THE TRANSACTION AND RELIEVING THE OTHER PARTY OF ITS RESPONSIBILITY FOR SUCH LIABILITY. EACH PARTY HERETO AGREES AND COVENANTS THAT IT WILL NOT CONTEST THE VALIDITY OR ENFORCEABILITY OF ANY EXCULPATORY PROVISION OF THIS AGREEMENT ON THE BASIS THAT THE PARTY HAD NO NOTICE OR KNOWLEDGE OF SUCH PROVISION OR THAT THE PROVISION IS NOT “ *CONSPICUOUS* ”.

Section 7.12 U.S. Patriot Act. The Administrative Agent, on behalf of each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107—56 (signed into law October 26, 2001)) (the “ Patriot Act ”), hereby notifies the Guarantor that pursuant to the requirements of the Patriot Act, each such Lender is required to obtain, verify, and record information that identifies the Guarantor, which information includes the name and address of the Guarantor and other information that will allow such Lender to identify the Guarantor in accordance with the Patriot Act.

The parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

NISOURCE INC.,  
as the Guarantor

By: /s/ David J. Vajda

Name: David J. Vajda

Title: Vice President and Treasurer

[ *Signature Page to NiSource Guaranty* ]

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JPMORGAN CHASE BANK, N.A.  
as the Administrative Agent

By: /s/ Nelson Ho  
Name: Nelson Ho  
Title: Vice President

[ *Signature Page to NiSource Guaranty* ]



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# NEWS

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801 E. 86th Avenue  
Merrillville, IN 46410

**FOR IMMEDIATE RELEASE**

August 29, 2007

**FOR ADDITIONAL INFORMATION**

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**NiSource Elects Deborah S. Coleman to Board of Directors**

**MERRILLVILLE, Ind.** – The Board of Directors of NiSource Inc. (NYSE: NI) today announced it has elected Deborah S. Coleman, executive vice president and chief operating officer of the National Urban League, to the NiSource Board of Directors.

“We are very pleased to be welcoming Ms. Coleman to the NiSource board,” Ian M. Rolland, chairman of the NiSource board of directors, said. “Her extensive background in process improvement and operational effectiveness will be an excellent complement to NiSource’s corporate focus on achieving operational excellence and delivering high levels of customer service.”

Before joining the National Urban League, Ms. Coleman spent more than 20 years with Ford Motor Company in various corporate positions, including corporate vice president of global quality and executive director of quality for Ford Americas. She fills a vacancy on the NiSource board and will serve on the following committees: Environmental Health & Safety; Corporate Governance; and Nomination & Compensation.

“We are honored to have Deborah join the NiSource board of directors,” said NiSource President and Chief Executive Officer Robert C. Skaggs, Jr. “Her unique perspective and global experience will serve NiSource well as we continue to move forward with our balanced, four-part business plan.”

**About NiSource**

NiSource Inc. (NYSE: NI), based in Merrillville, Ind., is a Fortune 500 company engaged in natural gas transmission, storage and distribution, as well as electric generation, transmission and distribution. NiSource operating companies

deliver energy to 3.8 million customers located within the high-demand energy corridor stretching from the Gulf Coast through the Midwest to New England. Information about NiSource and its subsidiaries is available via the Internet at [www.nisource.com](http://www.nisource.com). NI-F

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