

NISOURCE INC/DE
Form 424B5
December 02, 2009

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Filed Pursuant to Rule 424(b)(5)
File Nos. 333-148239 and 333-148239-01

Title of Each Class of Securities Offered	Maximum Aggregate Offering Price	Amount of Aggregate Registration Fee(1)
6.125% Notes due 2022	\$ 500,000,000	\$ 27,900

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933. The fee will be paid by wire transfer within the time required by Rule 456(b) of the Securities Act of 1933.

Prospectus Supplement**December 1, 2009****(To Prospectus dated December 21, 2007)****\$500,000,000****NiSource Finance Corp.****6.125% Notes due 2022****Unconditionally Guaranteed by NiSource Inc.**

The Notes will mature on March 1, 2022. The Notes will bear interest at a rate of 6.125% per year. Interest on the Notes will be paid semi-annually in arrears on March 1 and September 1 of each year, beginning March 1, 2010.

At our option, we may redeem some or all of the Notes at any time and from time to time at the redemption prices described herein.

The Notes will be our senior unsecured obligations and will rank equally with all our other senior unsecured indebtedness from time to time outstanding.

Investing in the Notes involves risks. See Risk Factors on page S-4 of this prospectus supplement.

Neither the Securities and Exchange Commission, or SEC, nor any state securities commission has approved or disapproved of the Notes or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Price to Public (1)	99.569%	\$ 497,845,000
Underwriting Discount	0.675%	\$ 3,375,000
Proceeds, before expenses, to us (1)	98.894%	\$ 494,470,000

(1) Plus accrued interest, if any, from December 4, 2009.

The Notes will not be listed on any securities exchange or quoted on any automated dealer quotation system.

We expect that delivery of the Notes will be made to investors through the book-entry delivery system of The Depository Trust Company on or about December 4, 2009.

Joint Book-Running Managers

Credit Suisse

Morgan Stanley

UBS Investment Bank

Senior Co-Managers

BofA Merrill Lynch

Citi

J.P. Morgan

Wells Fargo Securities

Co-Managers

Loop Capital Markets, LLC

Mitsubishi UFJ Securities

PNC Capital Markets LLC

U.S. Bancorp Investments, Inc.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in this prospectus supplement or to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus supplement may only be used where it is legal to sell these securities. The information in this prospectus supplement may only be accurate on the date of this prospectus supplement.

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SUMMARY

This summary highlights certain information appearing elsewhere in this prospectus supplement. This summary is not complete and does not contain all of the information that you should consider before purchasing the Notes. We urge you to read carefully the entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including the historical financial statements and notes to those financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should read carefully the Risk Factors section on page S-4 of this prospectus supplement and the Risk Factors and Note Regarding Forward-Looking Statements sections in our Annual Report on Form 10-K for the year ended December 31, 2008 and in our Quarterly Reports on Form 10-Q for the quarters ended June 30 and September 30, 2009 for more information about important risks that you should consider before investing in the Notes. Unless the context requires otherwise, references to (1) NiSource refer to NiSource Inc., (2) we, us or our refer collectively to NiSource and its subsidiaries and (3) NiSource Finance refer to NiSource Finance Corp.

NiSource Inc.

Overview. NiSource is an energy holding company whose subsidiaries provide natural gas, electricity and other products and services to approximately 3.7 million customers located within a corridor that runs from the Gulf Coast through the Midwest to New England. Our principal subsidiaries include Columbia Energy Group, a vertically-integrated natural gas distribution, transmission and storage holding company whose subsidiaries provide service to customers in the Midwest, the Mid-Atlantic and the Northeast; Northern Indiana Public Service Company, a vertically-integrated natural gas and electric company providing service to customers in northern Indiana; and Bay State Gas Company, a natural gas distribution company serving customers in Massachusetts. NiSource derives substantially all its revenues and earnings from the operating results of its subsidiaries. Our primary business segments are:

gas distribution operations;

gas transmission and storage operations;

electric operations; and

other operations.

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

Gas Distribution Operations. Our natural gas distribution operations serves approximately 3.3 million customers in seven states and operate approximately 57 thousand miles of pipeline. Through our wholly-owned subsidiary, Columbia Energy Group, we own five distribution subsidiaries that provide natural gas to approximately 2.2 million residential, commercial and industrial customers in Ohio, Pennsylvania, Virginia, Kentucky and Maryland. We also distribute natural gas to approximately 780 thousand customers in northern Indiana through three subsidiaries: Northern Indiana Public Service Company, Kokomo Gas and Fuel Company and Northern Indiana Fuel and Light Company, Inc. Additionally, our subsidiary Bay State Gas Company distributes natural gas to approximately 287 thousand customers in Massachusetts.

Gas Transmission and Storage. Our gas transmission and storage subsidiaries own and operate approximately 16 thousand miles of interstate pipelines and operate one of the nation's largest underground natural gas storage systems, capable of storing approximately 629 billion cubic feet of natural gas. Through our subsidiaries Columbia Gas Transmission LLC, Columbia Gulf Transmission Company and Crossroads Pipeline Company, we own and operate an interstate pipeline network extending from the Gulf of Mexico to Lake Erie, New York and the eastern seaboard. Together, these companies serve customers in 16 Northeastern, Mid-Atlantic, Midwestern and Southern states and the District of Columbia.

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Electric Operations. Through our subsidiary Northern Indiana Public Service Company, we generate, transmit and distribute electricity to approximately 455 thousand customers in 20 counties in the northern part of Indiana and engage in wholesale and transmission transactions. Northern Indiana Public Service Company owns four and has the current ability to operate three coal-fired electric generating stations. The three operable facilities have a net capability of 2,574 megawatts. Northern Indiana Public Service Company also operates Sugar Creek, a combined cycle gas turbine plant with a 535 megawatt capability rating, four gas-fired generating units located at Northern Indiana's coal fired electric generating stations with a net capability of 203 megawatts and two hydroelectric generating plants with a net capability of 10 megawatts. These facilities provide for a total system operating net capability of 3,322 megawatts. Northern Indiana Public Service Company's transmission system, with voltages from 69,000 to 345,000 volts, consists of 2,782 circuit miles. Northern Indiana Public Service Company is interconnected with five neighboring electric utilities. During the year ended December 31, 2008, Northern Indiana Public Service Company generated 81.6% and purchased 18.4% of its electric requirements.

Other Operations. We participate in energy-related services, primarily including ventures focused on distributed power generation technologies and fuel cells and storage systems. Additionally, we are involved in real estate and other businesses.

NiSource Finance Corp.

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

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

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The Offering

Issuer	NiSource Finance Corp.
Securities Offered	\$500,000,000 aggregate principal amount of 6.125% Notes due 2022.
Guarantee	NiSource Inc. will fully and unconditionally guarantee all the obligations of NiSource Finance under the Notes.
Maturity Date	The Notes will mature on March 1, 2022.
Interest Rate	The interest rate on the Notes will be 6.125% per annum.
Interest Payment Dates	Each March 1 and September 1, beginning March 1, 2010.
Optional Redemption	We may redeem all or part of the Notes at any time at our option at a redemption price equal to the greater of (1) the principal amount of the notes being redeemed plus accrued interest to the redemption date and (2) a make-whole amount based on the yield of a comparable U.S. Treasury security plus 0.45%.
Ranking	<p>The Notes will be senior, unsecured obligations of NiSource Finance ranking equally in right of payment with other senior indebtedness of NiSource Finance.</p> <p>The guarantees will be senior, unsecured obligations of NiSource, ranking equally in right of payment with other senior indebtedness of NiSource. Because NiSource is a holding company that derives substantially all of its income from operating subsidiaries, the guarantee will effectively be subordinated to debt and preferred stock at the subsidiary level.</p> <p>The Indenture does not limit the amount of debt that NiSource Finance, NiSource or any of its subsidiaries may incur.</p>
Limitation on Liens	Subject to certain exceptions, neither NiSource Finance, NiSource nor any subsidiary of NiSource other than a utility may issue, assume or guarantee any secured debt, except intercompany indebtedness, without also securing the Notes, unless the total amount of all of the secured debt would not exceed 10% of our consolidated net tangible assets.
Use of Proceeds	The net proceeds to us from the sale of the Notes, after deducting the underwriting discount but before deducting other fees and expenses related to the offering, will be approximately \$494.5 million, of which we will lend \$120 million to our subsidiary Northern Indiana Public Service Company to refinance a portion of the purchase price of the Sugar Creek generating facility it bought in 2008. The balance of the proceeds will be applied toward the repayment of \$385 million of bank borrowings having an annual interest rate of 4.25% as of September 30, 2009 under our term loan facility that was used for working capital and matures on

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February 11, 2011.

For additional information regarding the Notes, see Supplemental Description of the Notes.

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RISK FACTORS

Investing in the Notes involves risk. Please see the Risk Factors and Note Regarding Forward-Looking Statements sections in NiSource's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and in our Quarterly Reports on Form 10-Q for the quarters ended June 30 and September 30, 2009, which are incorporated by reference in this prospectus supplement and the accompanying prospectus. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. The risks and uncertainties not presently known to NiSource or that NiSource currently deems immaterial may also impair its business operations, its financial results and the value of the Notes. In addition, the risk described below could result in a decrease in the value of the Notes and your investment therein.

The Notes and guarantees are obligations of NiSource Finance and NiSource, respectively, and not of our operating subsidiaries and will be effectively subordinated to the claims of the operating subsidiaries' creditors.

The Notes and guarantees are obligations of NiSource Finance and NiSource, respectively, and not of our other subsidiaries. NiSource is a holding company and, accordingly, we conduct substantially all of our operations through our operating subsidiaries. NiSource Finance is a consolidated finance subsidiary, which has no independent operations other than its financing activities. As a result, our cash flow and our ability to service our debt, including the Notes, depend upon the earnings of our operating subsidiaries and on the distribution of earnings, loans or other payments by such subsidiaries to NiSource and NiSource Finance.

Our operating subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on the Notes or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or other payments. In addition, any payment of dividends, distributions, loans or advances by our subsidiaries to us could be subject to statutory or contractual restrictions. Payments to us by our operating subsidiaries will also be contingent upon such subsidiaries' earnings and business considerations. As of September 30, 2009, our operating subsidiaries (which do not include NiSource Finance and NiSource Capital Markets, Inc.) had approximately \$470.9 million of indebtedness.

Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization, and therefore the rights of the holders of the Notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors. In addition, even if we were a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. If any of our subsidiaries were to issue preferred stock in the future, the Notes would similarly be effectively subordinated to the rights of the preferred stockholders.

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INCORPORATION BY REFERENCE

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

our Annual Report on Form 10-K for the fiscal year ended December 31, 2008;

our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2009, June 30, 2009 and September 30, 2009;

our Current Reports on Form 8-K filed on March 10, 2009 and July 13, 2009; and

any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) until we sell all of the securities offered by this prospectus supplement.

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

USE OF PROCEEDS

The net proceeds to us from the sale of the Notes, after deducting the underwriting discount but before deducting other fees and expenses related to the offering, will be approximately \$494.5 million, of which we will lend \$120 million to our subsidiary Northern Indiana Public Service Company to refinance a portion of the purchase price of the Sugar Creek generating facility it bought in 2008. The balance of the proceeds will be applied toward the repayment of \$385 million of bank borrowings having an annual interest rate of 4.25% as of September 30, 2009 under our term loan facility that was used for working capital and matures on February 11, 2011.

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The following table shows our capitalization and short-term indebtedness at September 30, 2009 (1) on an actual consolidated basis and (2) on a consolidated basis as adjusted to reflect the issuance and sale of the Notes and the use of the net proceeds as set forth under Use of Proceeds. This table should be read in conjunction with our consolidated financial statements and related notes for the nine months ended September 30, 2009, incorporated by reference in this prospectus supplement and accompanying prospectus. See Incorporation by Reference.

	September 30, 2009	
	Actual	As Adjusted
	(in millions)	
Cash and cash equivalents	\$ 83.8	\$ 83.8
Short-term borrowings (including current portion of long-term debt)	\$ 633.8	\$ 513.8
Long-term debt (excluding amounts due within one year)	\$ 6,560.7	\$ 6,680.7
Common stockholders' equity	4,739.8	4,739.8
Total capitalization	\$ 11,300.5	\$ 11,420.5

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

Nine Months Ended September 30, 2009	2008	Fiscal Year Ended December 31,			2004
		2007	2006	2005	
1.76	2.31	2.14	2.30	1.95	2.59

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

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SUPPLEMENTAL DESCRIPTION OF THE NOTES

Please read the following information concerning the Notes in conjunction with the statements under Description of the Debt Securities in the accompanying prospectus, which the following information supplements and, if there are any inconsistencies, supersedes. The following description is not complete. The Notes will be issued under the Indenture, dated November 14, 2000, that we have entered into with The Bank of New York Mellon (as successor to JPMorgan Chase Bank, N.A., formerly known as The Chase Manhattan Bank), as trustee. The Indenture is described in the accompanying prospectus and is filed as an exhibit to the registration statement under which the Notes are being offered and sold.

Maturity, Interest and Payment

The Notes will mature on March 1, 2022. The Notes will bear interest at a rate of 6.125% per annum from and including December 4, 2009, payable semi-annually in arrears on March 1 and September 1 of each year, beginning March 1, 2010. Interest payable on each interest payment date for the Notes will be paid to the persons in whose name the Notes are registered at the close of business on each February 15 and August 15.

If an interest payment date falls on a day that is not a business day, interest will be payable on the next succeeding business day with the same force and effect as if made on such interest payment date. Interest on the Notes will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

Optional Redemption

We may redeem all or part of the Notes at any time at our option at a redemption price equal to the greater of (1) 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.

The following definitions apply to the Notes:

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 maturity date 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 0.45%.

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 maturity date of the Notes that would be utilized, at the time of selection and in accordance with

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customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes.

Quotation Agent means the Reference Treasury Dealer selected by us.

Reference Treasury Dealer means a primary U.S. Government securities dealer selected by us.

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 us, Reference Treasury Dealer Quotations for such redemption date.

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 us by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Selection and Notice of Redemption

If we are 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.

We will redeem Notes in increments of \$1,000. We will cause notices of redemption to be mailed by first-class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount thereof to be redeemed. We will issue a Note in principal amount equal to the unredeemed portion of the original Note in the name of the holder thereof upon cancellation of the original Note. Notes called for redemption will become due on the date fixed for redemption. On or after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Forms and Denominations

The Notes will be issued as one or more global securities in the name of a nominee of The Depository Trust Company and will be available only in book-entry form. See Description of the Debt Securities Book-Entry Issuance in the accompanying prospectus. The Notes are available for purchase in multiples of \$1,000.

Additional Notes

We 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 would be consolidated and form a single series with the Notes and would 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.

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CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of Notes by employee benefit plans that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (ERISA), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the Code), or provisions under any federal, state, local non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, and entities whose underlying assets are considered to include plan assets of such plans, accounts and arrangements (each, a Plan).

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an ERISA Plan) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the management or administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any similar law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable similar laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are parties in interest, within the meaning of ERISA, or disqualified persons, within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition or holding of Notes by an ERISA Plan with respect to which NiSource, NiSource Finance or an underwriter is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or PTCEs, that may apply to the acquisition and holding of the Notes. These class exemptions include PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, the statutory exemption (the Statutory Exemption) under Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code for certain prohibited transactions between a plan and a person or entity that is a party in interest to such plan solely by reason of providing services to the plan or an affiliation with a service provider (other than a party in interest that is a fiduciary with respect to the assets of the plan involved in the transaction, or an affiliate of such a fiduciary), provided that there is adequate consideration for the transaction, may be applicable to the acquisition and holding of the Notes. There can be no assurance that a particular purchase of Notes will satisfy all of the conditions of any such

exemptions.

Because of the foregoing, the Notes should not be purchased or held by any person investing plan assets of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or a violation of any applicable similar laws.

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Representation

By acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Note constitutes assets of any Plan, or (ii) the purchase and holding of the Note by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any applicable similar laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any similar laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes.

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Subject to conditions set forth in the underwriting agreement, we have agreed to sell all, but not less than all, the Notes to the underwriters, and the underwriters have severally and not jointly agreed to purchase the principal amount of the Notes set forth opposite its name in the following table:

Underwriter	Principal Amount of Notes
Credit Suisse Securities (USA) LLC	\$ 120,000,000
Morgan Stanley & Co. Incorporated	\$ 120,000,000
UBS Securities LLC	\$ 120,000,000
Banc of America Securities LLC	\$ 22,500,000
Citigroup Global Markets Inc.	\$ 22,500,000
J.P. Morgan Securities Inc.	\$ 22,500,000
Wells Fargo Securities, LLC	\$ 22,500,000
Loop Capital Markets LLC	\$ 12,500,000
Mitsubishi UFJ Securities (USA), Inc.	\$ 12,500,000
PNC Capital Markets LLC	\$ 12,500,000
US Bancorp Investments, Inc.	\$ 12,500,000
Total	\$ 500,000,000

The underwriting agreement provides that the underwriters are obligated to purchase all of the Notes if any are purchased. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering of Notes may be terminated.

The underwriters propose to offer the Notes initially at the public offering price on the cover page of this prospectus supplement and to selling group members at that price less a selling concession of .400% of the principal amount per Note. The underwriters and selling group members may allow a discount of .250% of the principal amount per Note on sales to other broker/dealers. After the initial public offering, the underwriters may change the public offering price, selling concession and discount to broker/dealers.

We estimate that our total expenses for this offering, excluding the underwriting discount, will be approximately \$150,000.

The Notes are a new issue of securities with no established trading market. One or more of the underwriters intends to make a secondary market for the Notes. However, they are not obligated to do so and may discontinue making a secondary market for the Notes at any time without notice. No assurance can be given as to how liquid the trading market for the Notes will be.

We have agreed to indemnify the underwriters against liabilities under the Securities Act of 1933, or contribute to payments which the underwriters may be required to make in that respect.

In connection with the offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specific maximum.

Over-allotment involves sales by the underwriters of Notes in excess of the principal amount of Notes the underwriters are obligated to purchase, which creates a syndicate short position.

Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover syndicate short positions. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the

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price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the Notes originally sold by the syndicate member are purchased in a stabilizing transaction or a syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate-covering transactions and penalty bids may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market prices of the Notes. As a result the price of the Notes may be higher than the prices that might otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

Certain of the underwriters and their affiliates have provided certain investment banking, commercial banking and other financial services to us and our affiliates, for which they have received customary fees. Under our revolving credit agreement, Credit Suisse, acting through its Cayman Island Branch, an affiliate of Credit Suisse Securities (USA) LLC, serves as lead arranger, lender and syndication agent, each of Citicorp USA, Inc., an affiliate of Citigroup Global Markets Inc., JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities Inc., and The Bank of Tokyo-Mitsubishi UFJ, Ltd. Chicago Branch (f/k/a The Bank of Tokyo-Mitsubishi, Ltd, Chicago Branch), an affiliate of Mitsubishi UFJ Securities (USA), Inc., serves as lender and a co-documentation agent, and each of Bank of America, N.A., an affiliate of Banc of America Securities LLC, PNC Bank, National Association, an affiliate of PNC Capital Markets LLC, U.S. Bank National Association, an affiliate of U.S. Bancorp Investments, Inc., and Wachovia Bank, National Association, an affiliate of Wells Fargo Securities, LLC, serves as lender. Also, under our term loan agreement, JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities Inc., serves as administrative agent and lender, J.P. Morgan Securities Inc. serves as joint lead arranger and joint book runner, Wachovia Bank, National Association, an affiliate of Wells Fargo Securities, LLC, serves as syndication agent and lender, Wachovia Capital Markets, LLC, an affiliate of Wells Fargo Securities, LLC, serves as joint lead arranger and joint book runner, Citibank N.A., an affiliate of Citigroup Global Markets Inc. serves as documentation agent and lender, and each of Morgan Stanley Bank, N.A., an affiliate of Morgan Stanley & Co. Incorporated, Bank of America, N.A., an affiliate of Banc of America Securities LLC, Credit Suisse, Cayman Islands Branch, an affiliate of Credit Suisse Securities (USA) LLC, PNC Bank, National Association, an affiliate of PNC Capital Markets LLC, The Bank of Tokyo-Mitsubishi UFJ, Ltd. New York Branch, an affiliate of Mitsubishi UFJ Securities (USA), Inc., UBS Loan Facility LLC, an affiliate of UBS Securities LLC, and U.S. Bank, National Association, an affiliate of US Bancorp Investments, Inc., serves as lender. The underwriters and their affiliates may from time to time engage in future transactions with us and our affiliates and provide services to us and our affiliates in the ordinary course of their business.

CONFLICTS OF INTEREST

Because more than 5% of the net proceeds of this offering may be received by Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. Incorporated, UBS Securities LLC, Banc of America Securities LLC, Citigroup Global Markets Inc., J.P. Morgan Securities Inc., Wells Fargo Securities, LLC, Mitsubishi UFJ Securities (USA), Inc. and U.S. Bancorp Investments, Inc., each a member of the Financial Industry Regulatory Authority, Inc. (FINRA) participating in this offering, this offering will be conducted in compliance with FINRA Rule 2720.

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LEGAL MATTERS

The validity of the Notes will be passed upon for us by Schiff Hardin LLP, Chicago, Illinois. The underwriters have been represented by Dewey & LeBoeuf LLP, New York, New York.

EXPERTS

The consolidated financial statements and related financial statement schedules of NiSource Inc. and subsidiaries, incorporated in this prospectus supplement by reference from NiSource Inc.'s Annual Report on Form 10-K for the year ended December 31, 2008, and the effectiveness of NiSource Inc. and subsidiaries' internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedules have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

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PROSPECTUS

NiSource Inc.

Common Stock

Preferred Stock

Guarantees of Debt Securities

Warrants

Stock Purchase Contracts

Stock Purchase Units

NiSource Finance Corp.