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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

_____, Individually and on
behalf of all others similarly situated,

Plaintiff,

v.

NISOURCE INC., JOSEPH HAMROCK,
DONALD E. BROWN, AND ROBERT C.
SKAGGS, JR.,

Defendants.

Case No:

CLASS ACTION COMPLAINT FOR
VIOLATIONS OF THE FEDERAL
SECURITIES LAWS

JURY TRIAL DEMANDED

Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through his attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by Defendants, United States Securities and Exchange Commission (“SEC”) filings, wire and press releases published by and regarding NiSource Inc. (“NiSource” or the “Company”), and information readily obtainable on the Internet. Plaintiff believes that substantial evidentiary

support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

NATURE OF THE ACTION

1. This is a class action on behalf of persons or entities who purchased or otherwise acquired publicly traded NiSource securities between May 21, 2015 and November 1, 2018, inclusive (the “Class Period”). Plaintiff seeks to recover compensable damages caused by Defendants’ violations of the federal securities laws under the Securities Exchange Act of 1934 (the “Exchange Act”).

JURISDICTION AND VENUE

2. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

3. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, and Section 27 of the Exchange Act (15 U.S.C. §78aa).

4. Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)) as the alleged misstatements entered and the subsequent damages took place in this judicial district.

5. In connection with the acts, conduct and other wrongs alleged in this complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mails, interstate telephone communications and the facilities of the national securities exchange.

PARTIES

6. Plaintiff, as set forth in the accompanying certification, incorporated by reference herein, purchased NiSource securities during the Class Period and was economically damaged thereby.

7. Defendant NiSource is an energy holding company, operates as a regulated natural gas and electric utility company in the United States. NiSource provides natural gas service and transportation to residential, commercial, and industrial customers; generates, transmits, and distributes electricity; and offers wholesale and transmission transaction services. NiSource is incorporated in Delaware with its principal executive offices in Indiana. Through its subsidiary Columbia of Massachusetts, NiSource delivers gas to customers in southeastern Massachusetts, the greater Springfield area, and the Merrimack Valley. NiSource's securities trade on the New York Stock Exchange ("NYSE") under the ticker symbol "NI".

8. Defendant Joseph Hamrock ("Hamrock") served as the Company's Group Chief Executive Officer ("CEO") from the beginning of the Class Period until July 1, 2015 when he became the Company's CEO.

9. Defendant Donald E. Brown ("Brown") has served as the Company's Chief Financial Officer ("CFO") since July 1, 2015 and Executive Vice President since April 2015.

10. Defendant Robert C. Skaggs, Jr. ("Skaggs") served as the Company's CEO until July 1, 2015.

11. Defendants Hamrock, Brown, and Skaggs are collectively referred to herein as the "Individual Defendants."

12. Each of the Individual Defendants:

(a) directly participated in the management of the Company;

- (b) was directly involved in the day-to-day operations of the Company at the highest levels;
- (c) was privy to confidential proprietary information concerning the Company and its business and operations;
- (d) was directly or indirectly involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein;
- (e) was directly or indirectly involved in the oversight or implementation of the Company's internal controls;
- (f) was aware of or recklessly disregarded the fact that the false and misleading statements were being issued concerning the Company; and/or
- (g) approved or ratified these statements in violation of the federal securities laws.

13. NiSource is liable for the acts of the Individual Defendants and its employees under the doctrine of *respondeat superior* and common law principles of agency because all of the wrongful acts complained of herein were carried out within the scope of their employment.

14. The scienter of the Individual Defendants and other employees and agents of the Company is similarly imputed to NiSource under *respondeat superior* and agency principles.

15. Defendants NiSource and the Individual Defendants are collectively referred to herein as "Defendants."

SUBSTANTIVE ALLEGATIONS

Materially False and Misleading Statements Issued During the Class Period

16. On May 21, 2015, NiSource published its 2014 Sustainability Report for the year ending December 31, 2014. The 2014 Sustainability Report was signed by Defendants Skaggs and Hamrock. The 2014 Sustainability Report discussed its infrastructure, stating in relevant part:

A key factor in this continued safe and reliable service is our record level of investments in more modern pipes, wires and systems.

* * *

We also regularly advocate for the proactive replacement of aging energy infrastructure, and timely recovery of those investments, in the legislative and regulatory arena. For example, Columbia Gas of Massachusetts (CMA) was part of the development of a new law that paves the way for sustained system modernization by providing timely investment recovery for replacement of aging cast iron and bare steel infrastructure. Similar types of programs that help improve safety and reliability for our customers exist across nearly all of our companies.

17. The 2014 Sustainability Report also discussed safety, stating in relevant part:

Keeping Communities Safe

NiSource companies invested more than \$2 billion for infrastructure projects in 2014, much of which was focused on pipeline integrity management initiatives, including the modernization and maintenance of our facilities and operations. **Our main focus, both in building new infrastructure and maintaining current, is the continued – and improved – safety and reliability of our systems and the ability to meet the needs of our customers.**

18. On February 18, 2016, NiSource filed its annual report on Form 10-K with the SEC for the year ending December 31, 2015 (the “2015 10-K”). The 2015 10-K was signed by Defendants Hamrock and Brown. The 2015 10-K also contained certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) signed by Defendants Hamrock and Brown attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal

control over financial reporting and the disclosure of all fraud.

19. The 2015 10-K discussed the Company's business strategy, stating in relevant part:

NiSource focuses its business strategy on its core, rate-regulated asset-based businesses with most of its operating income generated from the rate-regulated businesses. NiSource's utilities continue to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all seven states in which it operates.

20. On June 15, 2016, NiSource published its 2015 Sustainability Report for the year ending December 31, 2015. The 2015 Sustainability Report was signed by Defendant Hamrock.

21. The 2015 Sustainability Report discussed employee training, stating in relevant part:

A Culture of Safety

Safety is ingrained in our culture, supported through both corporate-wide and local initiatives.

On top of training our employees to work safely, NiSource leaders and employees are challenged to advance our safety culture through the right mindset. One such approach is our Just Culture initiative.

Just Culture is an attitude toward safety based in our values of respect and inclusion, working together, transparency and doing the right thing, by focusing on shared responsibility.

A key concept is that employees will not be blamed, shamed or punished for making an honest mistake, which encourages incident and near-miss reporting, so we can learn from and avoid repeating these situations.

Alternatively, in cases where individuals make a choice to work unsafely, the activity involved will be evaluated to determine whether further action is necessary to reinforce expected safe work behavior in the future.

Regardless, our first consideration is to determine whether supervision, leadership and organizational support properly prepared the employee to perform their work safely.

22. The 2015 Sustainability Report also discussed NiSource's infrastructure, stating

in relevant part:

Investments That Systematically and Efficiently Deliver Service Integrity

As part of our long-term business strategy, NiSource is making significant investments in our infrastructure, including nearly \$30 billion in identified long-term system modernization and growth programs spanning the next 20+ years. Our progress on this commitment to modernize our system is measured in a variety of ways, including capital investment, methane reduction, leak reduction and the diversity of our supply chain. We also report and track a number of measures related to the environmental performance of NiSource – where our goal is always to manage and improve our performance.

NiSource invested nearly \$1.37 billion in natural gas distribution system and electric operations in 2015, with an emphasis on modernizing our systems to enhance safety, reliability and customer service, while also improving environmental performance. At the same time, these investments are generating significant economic development in the areas where we operate.

Programs across NiSource’s seven operating companies are targeting cast iron, bare steel, early vintage plastics, and other gas infrastructure materials nearing the end of their useful lives and replacing them with modern pipeline materials. In our electric business, we’re upgrading substations and replacing transformers and poles, among many other items. Across NiSource’s operations the phasing in the costs of these programs over multiple years. These investments are happening at a time of low, stable natural gas prices, which also helps keep customer bills manageable.

These investments have translated into a safer and more reliable energy system. For example, we’ve reduced main leaks by 9 percent and service line leaks by 14 percent in the past five years. Our goal is to reduce leaks by an additional 2 percent in 2016.

23. On February 22, 2017, NiSource filed its annual report on Form 10-K with the SEC for the year ending December 31, 2016 (the “2016 10-K”). The 2016 10-K was signed by Defendants Hamrock and Brown. The 2016 10-K also contained signed SOX certifications by Defendants Hamrock and Brown attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting and the disclosure of all fraud.

24. The 2016 10-K discussed the Company’s business strategy, stating in relevant part:

NiSource focuses its business strategy on its core, rate-regulated asset-based businesses with most of its operating income generated from the rate-regulated businesses. NiSource's utilities continue to move forward on core infrastructure and environmental investment programs supported by complementary regulatory and customer initiatives across all seven states in which it operates. NiSource's goal is to develop strategies that benefit all stakeholders as it addresses changing customer conservation patterns, develops more contemporary pricing structures, and embarks on long-term investment programs. These strategies are intended to improve reliability and safety, enhance customer services and reduce emissions while generating sustainable returns.

25. On April 5, 2017, NiSource published its 2016 Sustainability Report for the year ending December 31, 2016. The 2016 Sustainability Report was signed by Defendant Hamrock. The 2016 Sustainability Report discussed safety, stating in relevant part:

A FOUNDATION OF SAFETY

At the foundation of our business is the safety of and care for our employees, business partners, customers and the public. We're continuing to improve our employee and public safety performance through risk reduction and process improvement. Our goal will always be zero incidents, and we've set milestones on our path to be in the top 10 percent of our industry in employee and contractor safety by the end of 2017.

26. On March 22, 2018, NiSource published its 2017 Integrated Annual Report for the year ending December 31, 2017. The 2017 Integrated Annual Report was signed by Defendant Hamrock. The 2017 Integrated Annual Report discussed safety and training, stating in relevant part:

We progressed on our safety journey, achieving our best-ever performance in our core employee safety metrics, as well as damage prevention.

* * *

INVESTMENTS DRIVE 2017 PERFORMANCE, FUTURE GROWTH

In 2017, NiSource invested a record \$1.7 billion in capital programs. These investments are enhancing the safety, reliability and environmental performance of our systems, while also supporting improved customer service and employee training and development.

27. The 2017 Integrated Annual Report discussed infrastructure, stating in relevant

part:

The biggest driver of our solid performance continues to be our long-term infrastructure modernization investments, supported by constructive regulatory frameworks and established recovery mechanisms.

28. On February 20, 2018, NiSource filed an annual report on Form 10-K with the SEC for the year ending December 31, 2017 (the “2017 10-K”). The 2017 10-K was signed by Defendants Hamrock and Brown. The 2017 10-K contained signed SOX certifications by Defendants Hamrock and Brown attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal control over financial reporting and the disclosure of all fraud.

29. The 2017 10-K discusses NiSource’s business strategy, stating in relevant part:

NiSource’s goal is to develop strategies that benefit all stakeholders as it addresses changing customer conservation patterns, develops more contemporary pricing structures and embarks on long-term infrastructure investment programs. These strategies are intended to improve reliability and safety, enhance customer services and reduce emissions while generating sustainable returns. Additionally, NiSource continues to pursue regulatory and legislative initiatives that will allow residential customers not currently on NiSource's system to obtain gas service in a cost effective manner.

30. The statements contained in ¶¶15-28 were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company’s business, operations and prospects, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) NiSource’s employees were not adequately trained to place NiSource’s aging infrastructure; (2) as such, during the installation of new infrastructure there was an increased risk of explosion; (3) NiSource would face governmental scrutiny, including facing criminal investigation; and (4) as a result, Defendants’ statements about its business,

operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all relevant times.

THE TRUTH BEGINS TO EMERGE

31. On September 13, 2018, dozens of gas explosions destroyed dozens of homes and businesses in Andover, North Andover, and Lawrence, Massachusetts. The explosions killed one person and injured more than a dozen. Andover's Fire Chief announced that investigators suspected that over-pressurization of a gas main belonging to Columbia of Massachusetts caused the explosions.

32. On this news, shares of NiSource fell \$3.29 per share or 11.72% to close at \$24.79 per share on September 14, 2018.

33. On October 11, 2018, the National Transportation Safety Board ("NTSB") issued its Preliminary Report regarding the September 13, 2018 explosions. The NTSB's Preliminary Report determined that the explosion occurred due to over-pressurization of the gas lines. The NTSB's Preliminary Report found that Columbia of Massachusetts failed to instruct workers that were working on improving the gas lines to deactivate pressure sensors when taking an old cast-iron gas main out of service which resulted in the sensors detecting a drop in gas pressure and responded by increasing the pressure in the new, plastic gas main.

34. On the news, shares of NiSource fell \$0.77 or over 3% over the next two trading days to close at \$24.31 per share on October 12, 2018.

35. As a result of Defendants' wrongful acts and omissions, and the precipitous decline in the market value of the Company's common shares, Plaintiff and other Class members have suffered significant losses and damages.

POST-CLASS PERIOD REVELATIONS

36. On November 1, 2018, NiSource filed with the SEC its quarterly report on Form 10-Q for the period ending September 30, 2018. (the “3Q18 10-Q”). The 3Q18 10-Q disclosed that NiSource is subject to a criminal investigation, stating in relevant part:

The Company and Columbia of Massachusetts are subject to a criminal investigation being conducted under the supervision of the U.S. Attorney's Office for the District of Massachusetts. The initial grand jury subpoenas were served on the Company and Columbia of Massachusetts on September 24, 2018. The Company and Columbia of Massachusetts are cooperating with the investigation.

PLAINTIFF'S CLASS ACTION ALLEGATIONS

37. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons other than defendants who acquired NiSource securities publicly traded on NYSE during the Class Period, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, the officers and directors of NiSource, members of the Individual Defendants’ immediate families and their legal representatives, heirs, successors or assigns and any entity in which Officer or Director Defendants have or had a controlling interest.

38. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, NiSource securities were actively traded on NYSE. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds, if not thousands of members in the proposed Class.

39. Plaintiff’s claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by defendants’ wrongful conduct in violation of federal law that is complained of herein.

40. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

41. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- whether the Exchange Act were violated by Defendants' acts as alleged herein;
- whether statements made by Defendants to the investing public during the Class Period misrepresented material facts about the financial condition and business NiSource;
- whether Defendants' public statements to the investing public during the Class Period omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
- whether the Defendants caused NiSource to issue false and misleading SEC filings during the Class Period;
- whether Defendants acted knowingly or recklessly in issuing false and SEC filing
- whether the prices of NiSource's securities during the Class Period were artificially inflated because of the Defendants' conduct complained of herein; and
- whether the members of the Class have sustained damages and, if so, what is the proper measure of damages.

42. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as

the damages suffered by individual Class members may be relatively small, the expense and burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

43. Plaintiff will rely, in part, upon the presumption of reliance established by the fraud-on-the-market doctrine in that:

- NiSource shares met the requirements for listing, and were listed and actively traded on NYSE, a highly efficient and automated market;
- As a public issuer, NiSource filed periodic public reports with the SEC and NYSE;
- NiSource regularly communicated with public investors via established market communication mechanisms, including through the regular dissemination of press releases via major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and
- NiSource was followed by a number of securities analysts employed by major brokerage firms who wrote reports that were widely distributed and publicly available.

44. Based on the foregoing, the market for NiSource securities promptly digested current information regarding NiSource from all publicly available sources and reflected such information in the prices of the shares, and Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

45. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information as detailed above.

COUNT I

For Violations of Section 10(b) And Rule 10b-5 Promulgated Thereunder Against All Defendants

46. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

47. This Count is asserted against Defendants is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

48. During the Class Period, Defendants, individually and in concert, directly or indirectly, disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

49. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

- employed devices, schemes and artifices to defraud;
- made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or
- engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of NiSource securities during the Class Period.

50. Defendants acted with scienter in that they knew that the public documents and statements issued or disseminated in the name of NiSource were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated, or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the securities laws. These defendants by virtue of their receipt of information reflecting the true facts of NiSource, their control over, and/or receipt and/or modification of NiSource's allegedly materially misleading statements, and/or their associations with the Company which made them privy to confidential proprietary information concerning NiSource, participated in the fraudulent scheme alleged herein.

51. Individual Defendants, who are the senior officers and/or directors of the Company, had actual knowledge of the material omissions and/or the falsity of the material statements set forth above, and intended to deceive Plaintiff and the other members of the Class, or, in the alternative, acted with reckless disregard for the truth when they failed to ascertain and disclose the true facts in the statements made by them or other NiSource personnel to members of the investing public, including Plaintiff and the Class.

52. As a result of the foregoing, the market price of NiSource securities was artificially inflated during the Class Period. In ignorance of the falsity of Defendants' statements, Plaintiff and the other members of the Class relied on the statements described above and/or the integrity of the market price of NiSource securities during the Class Period in purchasing NiSource securities at prices that were artificially inflated as a result of Defendants' false and misleading statements.

53. Had Plaintiff and the other members of the Class been aware that the market price of NiSource securities had been artificially and falsely inflated by Defendants' misleading statements and by the material adverse information which Defendants did not disclose, they would not have purchased NiSource securities at the artificially inflated prices that they did, or at all.

54. As a result of the wrongful conduct alleged herein, Plaintiff and other members of the Class have suffered damages in an amount to be established at trial.

55. By reason of the foregoing, Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5 promulgated thereunder and are liable to the plaintiff and the other members of the Class for substantial damages which they suffered in connection with their purchase of NiSource securities during the Class Period.

COUNT II
Violations of Section 20(a) of the Exchange Act
Against the Individual Defendants

56. Plaintiff repeats and realleges each and every allegation contained in the foregoing paragraphs as if fully set forth herein.

57. During the Class Period, the Individual Defendants participated in the operation and management of NiSource, and conducted and participated, directly and indirectly, in the conduct of NiSource's business affairs. Because of their senior positions, they knew the adverse non-public information about NiSource's misstatement of revenue and profit and false financial statements.

58. As officers and/or directors of a publicly owned company, the Individual Defendants had a duty to disseminate accurate and truthful information with respect to NiSource's financial condition and results of operations, and to correct promptly any public statements issued by NiSource which had become materially false or misleading.

59. Because of their positions of control and authority as senior officers, the Individual Defendants were able to, and did, control the contents of the various reports, press releases and public filings which NiSource disseminated in the marketplace during the Class Period concerning NiSource's results of operations. Throughout the Class Period, the Individual Defendants exercised their power and authority to cause NiSource to engage in the wrongful acts complained of herein. The Individual Defendants therefore, were "controlling persons" of NiSource within the meaning of Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful conduct alleged which artificially inflated the market price of NiSource securities.

60. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by NiSource.

PRAYER FOR RELIEF

WHEREFORE, plaintiff, on behalf of himself and the Class, prays for judgment and relief as follows:

(a) declaring this action to be a proper class action, designating plaintiff as Lead Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil Procedure and designating plaintiff's counsel as Lead Counsel;

(b) awarding damages in favor of plaintiff and the other Class members against all defendants, jointly and severally, together with interest thereon;

awarding plaintiff and the Class reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) awarding plaintiff and other members of the Class such other and further relief as the Court may deem just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury.

Dated:

Respectfully submitted,

THE ROSEN LAW FIRM, P.A.

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