

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

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MICHAEL W. DOBBINS
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UNITED STATES SECURITIES
AND EXCHANGE COMMISSION,

Plaintiff,

v.

NICOR, INC. AND
JEFFREY L. METZ

Defendants.

Case No.

07C 1739

Judge

Magistrate Judge

JUDGE LEINENWEBER

MAGISTRATE JUDGE NOLAN

COMPLAINT

Plaintiff, the United States Securities and Exchange Commission (the "Commission"),
alleges the following:

INTRODUCTION

1. Between 1999 and 2002, defendant Nicor, Inc. ("Nicor") engaged in improper transactions, made material misrepresentations and failed to disclose material information regarding its gas inventory layers in order to meet earnings targets and to increase its revenues under a performance-based rate plan administered by the Illinois Commerce Commission. This conduct violated the antifraud and reporting provisions of the federal securities laws. During this time, Jeffrey L. Metz ("Metz") was Assistant Vice President and Controller of Nicor and violated and/or aided and abetted Nicor's violations of these same federal securities laws.

2. Nicor is a gas utility holding company. Its principal business, representing approximately 90 percent of its consolidated operating income in a typical year, is gas distribution. Under its traditional regulatory framework, Nicor was not permitted to make a return on the sale of natural gas. Accordingly, Nicor had no incentive to access the value (approximately \$170-\$500 million) of its low-cost LIFO (last-in-first-out) gas inventory.

3. During the relevant period, Nicor filed the following periodic reports with the Commission pursuant to Section 13(a) of the Exchange Act and the rules and regulations promulgated thereunder, each of which contained the consolidated financial statements of Nicor:

Period	Date Filed	Form
Quarter ended March 31, 2000	5/12/00	10-Q
Quarter ended June 30, 2000	8/8/00	10-Q
Quarter ended Sept. 30, 2000	11/7/00	10-Q
Year ended Dec. 31, 2000	3/12/01	10-K
Quarter ended March 31, 2001	5/9/01	10-Q
Quarter ended June 30, 2001	8/1/01	10-Q
Quarter ended Sept. 30, 2001	10/31/01	10-Q
Year ended Dec. 31, 2001	3/8/02	10-K

Period	Date Filed	Form
Quarter ended March 31, 2002	4/25/02	10-Q
Quarter ended June 30, 2002	8/14/02	10-Q

4. In 1999, Nicor, acting through Metz and senior officers, devised a method by which it could profit by accessing its low-cost LIFO layers of inventory. As a result, from 1999 through 2001, Nicor, with the assistance of Metz and senior officers, entered into a series of improper transactions designed to shift inventory off of its books in order to create the appearance that Nicor had sold a substantial portion of its low-cost LIFO layers of inventory. These transactions allowed Nicor to ensure that it met its earnings targets. By entering into these transactions, Nicor inflated its reported income for the years ending 2000 and 2001, and for each of the quarters within those years (“Reports”) and the financial statements filed with those Reports.

5. Additionally, Nicor through Metz failed to disclose, in either its Management’s Discussion & Analysis section of its Reports, or in its financial statements filed with those Reports, that it had recorded material credits to income resulting from LIFO liquidations.

6. Nicor and Metz, directly or indirectly, have engaged in, and unless restrained and enjoined by this Court will continue to engage in, transactions, acts, practices, and courses of business, which violate Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act of 1933 (“Securities Act”) [15 U.S.C. §§77q(a)(1), 77q(a)(2), and 77q(a)(3)].

