UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from -------- to --------

Commission File Number	Registrant; State of Incorporation; Address; and Telephone Number	IRS Employer Identification No.
1-9513	CMS ENERGY CORPORATION (A Michigan Corporation) Fairlane Plaza South, Suite 1100 330 Town Center Drive, Dearborn, Michigan 48126 (313) 436-9200	38-2726431
1-5611	CONSUMERS ENERGY COMPANY (A Michigan Corporation) One Energy Plaza, Jackson, Michigan 49201 (517) 788-0550	38-0442310
1-2921	PANHANDLE EASTERN PIPE LINE COMPANY (A Delaware Corporation) 5444 Westheimer Road, P.O. Box 4967, Houston, Texas 77210-4967 (713) 989-7000	44-0382470

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes |X| No [ ]

Indicate by check mark whether the Registrants are accelerated filers (as defined in Rule 12b-2 of the Exchange Act).
CMS ENERGY CORPORATION: Yes [X] No [ ]
CONSUMERS ENERGY COMPANY AND PANHANDLE EASTERN PIPE LINE COMPANY: Yes [ ] No [X]

Panhandle Eastern Pipe Line Company meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format. In accordance with Instruction H, Part I, Item 2 has been reduced and Part II, Items 2, 3 and 4 have been omitted.

Number of shares outstanding of each of the issuer's classes of common stock at May 1, 2003:

CMS ENERGY CORPORATION:	
CMS Energy Common Stock, $.01 par value	144,096,264
CONSUMERS ENERGY COMPANY, $10 par value, privately held by CMS Energy	84,108,789
PANHANDLE EASTERN PIPE LINE COMPANY, no par value, indirectly privately held by CMS Energy	1,000

CMS ENERGY CORPORATION
AND
CONSUMERS ENERGY COMPANY
AND
PANHANDLE EASTERN PIPE LINE COMPANY

QUARTERLY REPORTS ON FORM 10-Q TO THE
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
FOR THE QUARTER ENDED MARCH 31, 2003

This combined Form 10-Q is separately filed by each of CMS Energy Corporation, Consumers Energy Company and Panhandle Eastern Pipe Line Company. Information contained herein relating to each individual registrant is filed by such registrant on its own behalf. Accordingly, except for their respective subsidiaries, Consumers Energy Company and Panhandle Eastern Pipe Line Company make no representation as to information relating to any other companies affiliated with CMS Energy Corporation.

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GLOSSARY

Certain terms used in the text and financial statements are defined below.

Term	Definition
ALJ	Administrative Law Judge
APB	Accounting Principles Board
APB Opinion No. 18	APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock"
APB Opinion No. 20	APB Opinion No. 20, "Accounting Changes"
APB Opinion No. 30	APB Opinion No. 30, "Reporting Results of Operations - Reporting the Effects of Disposal of a Segment of a Business"
Accumulated Benefit Obligation	The liabilities of a pension plan based on service and pay to date. This differs from the Projected Benefit Obligation that is typically disclosed in that it does not reflect expected future salary increases
Alliance	Alliance Regional Transmission Organization
ARO	Asset Retirement Obligation
bcf	Billion cubic feet
BG LNG Services	BG LNG Services, Inc., a subsidiary of BG Group of the United Kingdom
Big Rock	Big Rock Point nuclear power plant, owned by Consumers
Board of Directors	Board of Directors of CMS Energy
Centennial	Centennial Pipeline, LLC, in which Panhandle owns a one-third interest
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Clean Air Act	Federal Clean Air Act, as amended
CMS Capital	CMS Capital Corp., a subsidiary of Enterprises
CMS Electric and Gas	CMS Electric and Gas Company, a subsidiary of Enterprises
CMS Energy	CMS Energy Corporation, the parent of Consumers and Enterprises
CMS Energy Common Stock	Common stock of CMS Energy, par value $.01 per share
CMS Gas Transmission	CMS Gas Transmission Company, a subsidiary of Enterprises
CMS Generation	CMS Generation Co., a subsidiary of Enterprises
CMS Holdings	CMS Midland Holdings Company, a subsidiary of Consumers
CMS Midland	CMS Midland Inc., a subsidiary of Consumers
CMS MST	CMS Marketing, Services and Trading Company, a subsidiary of Enterprises
CMS Oil and Gas	CMS Oil and Gas Company, a subsidiary of Enterprises
CMS Viron	CMS Viron Energy Services, a wholly owned subsidiary of CMS MST
Consumers	Consumers Energy Company, a subsidiary of CMS Energy
Court of Appeals	Michigan Court of Appeals
Customer Choice Act	Customer Choice and Electricity Reliability Act, a Michigan statute enacted in June 2000 that allows all retail customers choice of alternative electric suppliers as of January 1, 2002, provides for full recovery of net stranded costs and implementation costs, establishes a five percent reduction in residential rates, establishes rate freeze and rate cap, and allows for Securitization
Detroit Edison	The Detroit Edison Company, a non-affiliated company
DIG	Dearborn Industrial Generation, L.L.C., a wholly owned subsidiary of CMS Generation
DOE	U.S. Department of Energy

Term	Definition
Dow	The Dow Chemical Company, a non-affiliated company
Duke Energy	Duke Energy Corporation, a non-affiliated company
EITF	Emerging Issues Task Force
Enterprises	CMS Enterprises Company, a subsidiary of CMS Energy
EPA	U. S. Environmental Protection Agency
EPS	Earnings per share
ERISA	Employee Retirement Income Security Act
Ernst & Young	Ernst & Young LLP
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FMB	First Mortgage Bonds
FMLP	First Midland Limited Partnership, a partnership that holds a lessor interest in the MCV facility
FTC	Federal Trade Commission
GCR	Gas cost recovery
GTNs	CMS Energy General Term Notes(R), $200 million Series D, $400 million Series E and $300 million Series F
Guardian	Guardian Pipeline, LLC, in which Panhandle owns a one-third interest
Health Care Plan	The medical, dental, and prescription drug programs offered to eligible employees of Panhandle, Consumers and CMS Energy
INGAA	Interstate Natural Gas Association of America
IPP	Independent Power Producer
Jorf Lasfar	The 1,356 MW coal-fueled power plant in Morocco, jointly owned by CMS Generation and ABB Energy Venture, Inc.
kWh	Kilowatt-hour
LIBOR	London Inter-Bank Offered Rate
Loy Yang	The 2,000 MW brown coal fueled Loy Yang A power plant and an associated coal mine in Victoria, Australia, in which CMS Generation holds a 50 percent ownership interest
LNG	Liquefied natural gas
LNG Holdings	CMS Trunkline LNG Holdings, LLC, jointly owned by CMS Panhandle Holdings, LLC and Dekatherm Investor Trust
Ludington	Ludington pumped storage plant, jointly owned by Consumers and Detroit Edison
MACT	Maximum Achievable Control Technology
MAPL	Marathon Ashland Petroleum, LLC, partner in Centennial
mcf	Thousand cubic feet
MCV Facility	A natural gas-fueled, combined-cycle cogeneration facility operated by the MCV Partnership
MCV Partnership	Midland Cogeneration Venture Limited Partnership in which Consumers has a 49 percent interest through CMS Midland
MD&A	Management's Discussion and Analysis
METC	Michigan Electric Transmission Company, formally a subsidiary of Consumers Energy and now an indirect subsidiary of Trans-Elect
Michigan Gas Storage	Michigan Gas Storage Company, a subsidiary of Consumers
MISO	Midwest Independent System Operator

Term	Definition
SFAS No. 5	SFAS No. 5, "Accounting for Contingencies"
SFAS No. 34	SFAS No. 34, "Capitalization of Interest Cost"
SFAS No. 52	SFAS No. 52, "Foreign Currency Translation"
SFAS No. 71	SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation"
SFAS No. 87	SFAS No. 87, "Employers' Accounting for Pensions"
SFAS No. 106	SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions"
SFAS No. 115	SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities"
SFAS No. 123	SFAS No. 123, "Accounting for Stock-Based Compensation"
SFAS No. 133	SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities, as amended and interpreted"
SFAS No. 142	SFAS No. 142, "Goodwill and Other Intangible Assets"
SFAS No. 143	SFAS No. 143, "Accounting for Asset Retirement Obligations"
SFAS No. 144	SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets"
SFAS No. 145	SFAS No. 145, "Recission of FASB statements No. 4, 44, and 64, Amendment of FASB statement No. 13, and Technical Corrections"
SFAS No. 146	SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities"
SFAS No. 148	SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure"
SIPS	State Implementation Plans
Southern Union	Southern Union Company, a non-affliated company
Special Committee	A special committee of independent directors, established by CMS Energy's Board of Directors, to investigate matters surrounding round-trip trading
Stranded Costs	Costs incurred by utilities in order to serve their customers in a regulated monopoly environment, which may not be recoverable in a competitive environment because of customers leaving their systems and ceasing to pay for their costs. These costs could include owned and purchased generation and regulatory assets
Superfund	Comprehensive Environmental Response, Compensation and Liability Act
TEPPCO	TE Products PipeLine Company, Limited Partnership, partner in Centennial
Trunkline	Trunkline Gas Company, LLC, a subsidiary of CMS Panhandle Holdings, LLC
Trunkline LNG	Trunkline LNG Company, LLC, a subsidiary of LNG Holdings, LLC
Trust Preferred Securities	Securities representing an undivided beneficial interest in the assets of statutory business trusts, the interests of which have a preference with respect to certain trust distributions over the interests of either CMS Energy or Consumers, as applicable, as owner of the common beneficial interests of the trusts
VEBA Trusts	VEBA (voluntary employees' beneficiary association) Trusts are tax-exempt accounts established to specifically set aside employer contributed assets to pay for future expenses of the OPEB plan

CMS ENERGY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

CMS Energy is the parent holding company of Consumers and Enterprises. Consumers is a combination electric and gas utility company serving Michigan's Lower Peninsula. Enterprises, through subsidiaries, including Panhandle and its subsidiaries, is engaged in several domestic and international diversified energy businesses including: natural gas transmission, storage and processing; independent power production; and energy marketing, services and trading.

The MD&A of this Form 10-Q should be read along with the MD&A and other parts of CMS Energy's 2002 Form 10-K. This MD&A refers to, and in some sections specifically incorporates by reference, CMS Energy's Condensed Notes to Consolidated Financial Statements and should be read in conjunction with such Consolidated Financial Statements and Notes. This Form 10-Q and other written and oral statements that CMS Energy may make contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. CMS Energy's intentions with the use of the words "anticipates," "believes," "estimates," "expects," "intends," and "plans," and variations of such words and similar expressions, are solely to identify forward-looking statements that involve risk and uncertainty. These forward-looking statements are subject to various factors that could cause CMS Energy's actual results to differ materially from the results anticipated in such statements. CMS Energy has no obligation to update or revise forward-looking statements regardless of whether new information, future events or any other factors affect the information contained in such statements. CMS Energy does, however, discuss certain risk factors, uncertainties and assumptions in this MD&A and in Item 1 of the 2002 Form 10-K in the section entitled "Forward-Looking Statements Cautionary Factors and Uncertainties" and in various public filings it periodically makes with the SEC. CMS Energy designed this discussion of potential risks and uncertainties, which is by no means comprehensive, to highlight important factors that may impact CMS Energy's business and financial outlook. This Form 10-Q also describes material contingencies in CMS Energy's Condensed Notes to Consolidated Financial Statements, and CMS Energy encourages its readers to review these Notes.

CRITICAL ACCOUNTING POLICIES

CMS Energy's consolidated financial statements are based on the application of accounting principles generally accepted in the United States. The application of these principles often requires management to make certain judgments, assumptions and estimates that may result in different financial presentations. CMS Energy believes that certain accounting principles are critical in terms of understanding its consolidated financial statements. These principles include the use of estimates in accounting for contingencies and long-lived assets, accounting for derivatives and financial instruments, mark-to-market accounting, international operations and foreign currency, regulatory accounting, and pension and postretirement benefits.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Certain accounting principles require subjective and complex judgments used in the preparation of financial statements. Accordingly, a different financial presentation could result depending on the judgment, estimates or assumptions that are used. Such estimates and assumptions include, but are not specifically limited to: depreciation, amortization, interest rates, discount rates, currency exchange rates, future commodity prices, mark-to-market valuations, investment returns, impact of new accounting standards, international economic policy, future costs associated with long-term contractual obligations, future compliance costs associated with

environmental regulations and continuing creditworthiness of counterparties. Actual results could differ materially from those estimates.

Periodically, in accordance with SFAS No. 144 and APB Opinion No. 18, long-lived assets and equity method investments of CMS Energy and its subsidiaries are evaluated to determine whether conditions, other than those of a temporary nature, indicate that the carrying value of an asset may not be recoverable. Management bases its evaluation on impairment indicators such as the nature of the assets, future economic benefits, domestic and foreign state and federal regulatory and political environments, historical or future profitability measurements, as well as other external market conditions or factors that may be present. If such indicators are present or other factors exist that indicate that the carrying value of the asset may not be recoverable, CMS Energy determines whether impairment has occurred through the use of an undiscounted cash flow analysis of assets at the lowest level for which identifiable cash flows exist. If impairment, other than of a temporary nature, has occurred, CMS Energy recognizes a loss for the difference between the carrying value and the estimated fair value of the asset. The fair value of the asset is measured using discounted cash flow analysis or other valuation techniques. The analysis of each long-lived asset is unique and requires management to use certain estimates and assumptions that are deemed prudent and reasonable for a particular set of circumstances. Of CMS Energy's total assets, valued at $14.3 billion at March 31, 2003, approximately 45 to 50 percent represent the carrying value of long-lived assets and equity method investments that are subject to this type of analysis. If future market, political or regulatory conditions warrant, CMS Energy and its subsidiaries may be subject to write-downs in future periods. Conversely, if market, political or regulatory conditions improve, accounting standards prohibit the reversal of previous write-downs.

CMS Energy has recently recorded write-downs of non-strategic or under-performing long-lived assets as a result of implementing a new strategic direction. CMS Energy is pursuing the sale of all of these non-strategic and under-performing assets, including some assets that were not determined to be impaired. Upon the sale of these assets, the proceeds realized may be materially different from the remaining carrying value of these assets. Even though these assets have been identified for sale, management cannot predict when, nor make any assurances that, these asset sales will occur, or the amount of cash or the value of consideration to be received.

Similarly, the recording of estimated liabilities for contingent losses within the financial statements is guided by the principles in SFAS No. 5 that require a company to record estimated liabilities in the financial statements when it is probable that a loss will be incurred in the future as a result of a current event, and when the amount can be reasonably estimated.

ELECTRIC ENVIRONMENTAL ESTIMATES: Consumers is subject to costly and increasingly stringent environmental regulations. Consumers expects to incur significant costs for future environmental compliance, especially compliance with clean air laws.

The EPA has issued regulations regarding nitrogen oxide emissions from certain generators, including some of Consumers' electric generating facilities. These regulations require Consumers to make significant capital expenditures estimated to be $770 million. As of March 31, 2003, Consumers has incurred $420 million in capital expenditures to comply with these regulations and anticipates that the remaining capital expenditures will be incurred between 2003 and 2009. Additionally, Consumers expects to supplement its compliance plan with the purchase of nitrogen oxide emissions credits in the years 2005 through 2008. The cost of these credits based on the current market is estimated to average $6 million per year; however, the market for nitrogen oxide emissions credits and their cost can change significantly. At some point, if new environmental standards become effective, Consumers may need additional capital expenditures to comply with the standards. For further information, see Note 4, Uncertainties, "Consumers' Electric Utility Contingencies - Electric Environmental Matters."

GAS ENVIRONMENTAL ESTIMATES: Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will incur investigation and remedial action costs at a number of sites. Consumers estimates the costs for 23 former manufactured gas plant sites will be between $82 million and $113 million, using the Gas Research Institute-Manufactured Gas Plant Probabilistic Cost Model. These estimates are based on discounted 2001 costs and follow EPA recommended use of discount rates between three and seven percent. Consumers expects to recover a significant portion of these costs through MPSC-approved rates charged to its customers. Any significant change in assumptions, such as remediation techniques, nature and extent of contamination, and legal and regulatory requirements, could change the remedial action costs for the sites. For further information see Note 4, Uncertainties, "Consumers' Gas Utility Contingencies - Gas Environmental Matters."

MCV UNDERRECOVERIES: The MCV Partnership, which leases and operates the MCV Facility, contracted to sell electricity to Consumers for a 35-year period beginning in 1990 and to supply electricity and steam to Dow. Consumers, through two wholly owned subsidiaries, holds a 49 percent partnership interest in the MCV Partnership, and a 35 percent lessor interest in the MCV Facility.

Consumers' annual obligation to purchase capacity from the MCV Partnership is 1,240 MW through the term of the PPA ending in 2025. The PPA requires Consumers to pay, based on the MCV Facility's availability, a levelized average capacity charge of 3.77 cents per kWh and a fixed energy charge, and also to pay a variable energy charge based primarily on Consumers' average cost of coal consumed for all kWh delivered. Consumers has not been allowed full recovery of the capacity and fixed energy charges in rates. After September 2007, the PPA's regulatory out terms obligate Consumers to pay the MCV Partnership only those capacity and energy charges that the MPSC has authorized for recovery from electric customers.

In 1992, Consumers recognized a loss and established a PPA liability for the present value of the estimated future underrecoveries of power supply costs under the PPA based on MPSC cost recovery orders. Primarily as a result of the MCV Facility's actual availability being greater than management's original estimates, the PPA liability has been reduced at a faster rate than originally anticipated. At March 31, 2003 and 2002 the remaining after-tax present value of the estimated future PPA liability associated with the loss totaled $30 million and $46 million, respectively. The PPA liability is expected to be depleted in late 2004.

In March 1999, Consumers and the MCV Partnership reached a settlement agreement effective January 1, 1999, that addressed, among other things, the ability of the MCV Partnership to count modifications increasing the capacity of the existing MCV Facility for purposes of computing the availability of contract capacity under the PPA for billing purposes. That settlement agreement capped payments made on the basis of availability that may be billed by the MCV Partnership at a maximum 98.5 percent availability level.

When Consumers returns, as expected, to unfrozen rates beginning in 2004, Consumers will recover from customers capacity and fixed energy charges on the basis of availability, to the extent that availability does not exceed 88.7 percent availability established in previous MPSC orders. For capacity and energy payments billed by the MCV Partnership after September 15, 2007, and not recovered from customers, Consumers would expect to claim a regulatory out under the PPA. The regulatory out provision relieves Consumers of the obligation to pay more for capacity and energy payments than the MPSC allows Consumers to collect from its customers. Consumers estimates that 51 percent of the actual cash underrecoveries for the years 2003 and 2004 will be charged to the PPA liability, with the remaining portion charged to operating expense as a result of Consumers' 49 percent ownership in the MCV Partnership. All cash underrecoveries will be expensed directly to income once the PPA liability is depleted. If the MCV Facility's generating availability remains at the maximum 98.5 percent level during the next five years, Consumers' after-tax cash underrecoveries associated with the PPA could be as follows:

In Millions

	2003	2004	2005	2006	2007
Estimated cash underrecoveries at 98.5%, net of tax	$37	$36	$36	$36	$25
Amount to be charged to operating expense, net of tax	$18	$18	36	$36	$25
Amount to be charged to PPA liability, net of tax	$19	$18	$ -	$ -	$ -

In February 1998, the MCV Partnership appealed the January 1998 and February 1998 MPSC orders related to electric utility restructuring. At the same time, MCV Partnership filed suit in the United States District Court in Grand Rapids seeking a declaration that the MPSC's failure to provide Consumers and MCV Partnership a certain source of recovery of capacity payments after 2007 deprived MCV Partnership of its rights under the Public Utilities Regulatory Policies Act of 1978. In July 1999, the District Court granted MCV Partnership's motion for summary judgment. The Court permanently prohibited enforcement of the restructuring orders in any manner that denies any utility the ability to recover amounts paid to qualifying facilities such as the MCV Facility or that precludes the MCV Partnership from recovering the avoided cost rate. The MPSC appealed the Court's order to the 6th Circuit Court of Appeals in Cincinnati. In June 2001, the 6th Circuit overturned the lower court's order and dismissed the case against the MPSC. The appellate court determined that the case was premature and concluded that the qualifying facilities needed to wait until 2008 for an actual factual record to develop before bringing claims against the MPSC in federal court.

For further information see Note 4, Uncertainties, "Other Consumers' Electric Utility Uncertainties - The Midland Cogeneration Venture."

ACCOUNTING FOR DERIVATIVE AND FINANCIAL INSTRUMENTS AND MARKET RISK INFORMATION

DERIVATIVE INSTRUMENTS: CMS Energy uses the criteria in SFAS No. 133, as amended and interpreted, to determine if certain contracts must be accounted for as derivative instruments. The rules for determining whether a contract meets the criteria for derivative accounting are numerous and complex. As a result, significant judgment is required to determine whether a contract requires derivative accounting, and similar contracts can sometimes be accounted for differently.

The types of contracts CMS Energy currently classifies as derivative instruments are interest rate swaps, foreign currency exchange contracts, certain electric call options, fixed priced weather-based gas supply call options, fixed price gas supply put options, gas futures, and gas and power swaps and forward purchases and sales. CMS Energy does not account for electric capacity and certain energy contracts, gas supply contracts, coal and nuclear fuel supply contracts, or purchase orders for numerous supply items as derivatives.

Certain of Consumers' electric capacity and energy contracts are not derivatives due to the lack of an active energy market in the state of Michigan, as defined by SFAS No. 133, and the transportation cost to deliver the power under the contracts to the closest active energy market at the Cinergy hub in Ohio. If a market develops in the future, Consumers may be required to account for these contracts as derivatives. The mark-to-market impact on earnings related to these contracts, particularly related to the PPA, could be material to the financial statements.

If a contract is accounted for as a derivative instrument, it is recorded in the financial statements as an asset or a liability, at the fair value of the contract. Any difference between the recorded book value and the fair value is reported either in earnings or other comprehensive income, depending on certain qualifying criteria. The recorded fair value of the contract is then adjusted quarterly to reflect any change in the market value of the contract.

In order to determine the fair value of contracts that are accounted for as derivative instruments, CMS Energy uses a combination of quoted market prices and mathematical models. Option models require various inputs, including forward prices, volatilities, interest rates and exercise periods. Changes in forward prices or volatilities could significantly change the calculated fair value of the option contracts. The models used by CMS Energy have been tested against market quotes to ensure consistency between model outputs and market quotes. At March 31, 2003, CMS Energy assumed a market-based interest rate of 4.5 percent and a volatility rate of 107.5 percent in calculating the fair value of its electric call options.

In order for derivative instruments to qualify for hedge accounting under SFAS No. 133, the hedging relationship must be formally documented at inception and be highly effective in achieving offsetting cash flows or offsetting changes in fair value attributable to the risk being hedged. If hedging a forecasted transaction, the forecasted transaction must be probable. If a derivative instrument, used as a cash flow hedge, is terminated early because it is probable that a forecasted transaction will not occur, any gain or loss as of such date is immediately recognized in earnings. If a derivative instrument, used as a cash flow hedge, is terminated early for other economic reasons, any gain or loss as of the termination date is deferred and recorded when the forecasted transaction affects earnings.

FINANCIAL INSTRUMENTS: CMS Energy accounts for its investments in debt and equity securities in accordance with SFAS No. 115. As such, debt and equity securities can be classified into one of three categories: held-to-maturity, trading, or available-for-sale securities. CMS Energy's investments in equity securities are classified as available-for-sale securities. They are reported at fair value with any unrealized gains or losses resulting from changes in fair value reported in equity as part of other comprehensive income and excluded from earnings unless such changes in fair value are other than temporary. Unrealized gains or losses resulting from changes in the fair value of Consumers' nuclear decommissioning investments are reported as regulatory liabilities. The fair value of these investments is determined from quoted market prices.

MARKET RISK INFORMATION: CMS Energy is exposed to market risks including, but not limited to, changes in interest rates, commodity prices, currency exchange rates, and equity security prices. CMS Energy's market risk, and activities designed to minimize this risk, are subject to the direction of an executive oversight committee consisting of designated members of senior management and a risk committee, consisting of certain business unit managers. The risk committee's role is to review the corporate commodity position and ensure that net corporate exposures are within the economic risk tolerance levels established by CMS Energy's Board of Directors. Established policies and procedures are used to manage the risks associated with market fluctuations.

In accordance with SEC disclosure requirements, CMS Energy performs sensitivity analyses to assess the potential loss in fair value, cash flows and earnings based upon hypothetical 10 percent increases and decreases in market rates or prices. Management does not believe that sensitivity analyses alone provide an accurate or reliable method for monitoring and controlling risks. Therefore, CMS Energy and its subsidiaries rely on the experience and judgment of senior management and traders to revise strategies and adjust positions as they deem necessary. Losses in excess of the amounts determined in the sensitivity analyses could occur if market rates or prices exceed the 10 percent shift used for the analyses.

INTEREST RATE RISK: CMS Energy is exposed to interest rate risk resulting from the issuance of fixed-rate and variable-rate debt, including interest rate risk associated with trust preferred securities, and from interest rate swap agreements. CMS Energy uses a combination of these instruments to manage and mitigate interest rate risk exposure when deemed appropriate, based upon market conditions. These strategies attempt to provide and maintain a balance between risk and the lowest cost of capital. At March 31, 2003, the carrying amounts of long-term debt and trust preferred securities were $5.2 billion and $883 million, respectively, with

corresponding fair values of $5.1 billion and $640 million, respectively. Based on a sensitivity analysis at March 31, 2003, CMS Energy estimates that if market interest rates average 10 percent higher or lower, earnings before income taxes for the subsequent 12 months would decrease or increase by approximately $9 million. In addition, based on a 10 percent adverse shift in market interest rates, CMS Energy would have an exposure of approximately $331 million to the fair value of its long-term debt and trust preferred securities if it had to refinance all of its long-term fixed-rate debt and trust preferred securities. CMS Energy does not intend to refinance all of its long-term fixed-rate debt and trust preferred securities and therefore, CMS Energy believes that any adverse change in interest rates would not have a material effect on its consolidated financial position as of March 31, 2003.

At March 31, 2003, the fair value of CMS Energy's floating to fixed interest rate swaps with a notional amount of $294 million was negative $4 million, which represents the amount CMS Energy would pay to settle. The swaps mature at various times through 2006 and are designated as cash flow hedges for accounting purposes.

COMMODITY PRICE RISK: CMS Energy is exposed to market fluctuations in the price of natural gas, oil, electricity, coal, natural gas liquids and other commodities. CMS Energy employs established policies and procedures to manage these risks using various commodity derivatives, including futures contracts, options and swaps (which require a net cash payment for the difference between a fixed and variable price), for non-trading purposes. The prices of these energy commodities can fluctuate because of, among other things, changes in the supply of and demand for those commodities. To minimize adverse price changes, CMS Energy also hedges certain inventory and purchases and sales contracts. Based on a sensitivity analysis, CMS Energy estimates that if energy commodity prices change by an average 10 percent, operating income for the subsequent nine months would change by $2.2 million. These hypothetical 10 percent shifts in quoted commodity prices would not have had a material impact on CMS Energy's consolidated financial position or cash flows at March 31, 2003. The analysis does not quantify short-term exposure to hypothetically adverse price fluctuations in inventories or for commodity positions related to trading activities.

Consumers enters into electric call options, fixed price gas supply contracts containing embedded put options, fixed priced weather-based gas supply call options and fixed priced gas supply put options. The electric call options are used to protect against risk due to fluctuations in the market price of electricity and to ensure a reliable source of capacity to meet customers' electric needs. The gas supply contracts containing embedded put options, the weather-based gas supply call options, and the gas supply put options are used to purchase reasonably priced gas supply.

As of March 31, 2003 and 2002, the fair value based on quoted future market prices of electricity-related call option and swap contracts was $10 million and $19 million, respectively. At March 31, 2003 and 2002, assuming a hypothetical 10 percent adverse change in market prices, the potential reduction in fair value associated with these contracts would be $2 million and $4 million respectively. As of March 31, 2003 and 2002, Consumers had an asset of $28 million and $48 million, respectively, related to premiums incurred for electric call option contracts. Consumers' maximum exposure associated with the call option contracts is limited to the premiums incurred. As of March 31, 2003, Consumers did not have any gas supply-related call or put option contracts. As of March 31, 2002, the fair value based on quoted future market prices of gas supply contracts containing embedded options was $4 million. At March 31, 2002, a hypothetical 10 percent adverse change in market prices was immaterial.

CURRENCY EXCHANGE RISK: CMS Energy is exposed to currency exchange risk arising from investments in foreign operations as well as various international projects in which CMS Energy has an equity interest and which have debt denominated in U.S. dollars. CMS Energy typically uses forward exchange contracts and other risk mitigating instruments to hedge currency exchange rates. The impact of the hedges on the investments in foreign operations is reflected in other comprehensive income as a component of foreign currency translation adjustment. For the three months ended March 31, 2003, there was no mark-to-market

adjustment included in the total net foreign currency translation adjustment of $13 million. At March 31, 2003, there were no foreign exchange hedges. Therefore, a sensitivity analysis at March 31, 2003 would be immaterial.

EQUITY SECURITY PRICE RISK: CMS Energy and certain of its subsidiaries have equity investments in companies in which they hold less than a 20 percent interest. At March 31, 2003, a hypothetical 10 percent adverse shift in equity securities prices would not have a material effect on CMS Energy's consolidated financial position, results of operations or cash flows.

For a discussion of accounting policies related to derivative transactions, see Note 7, Risk Management Activities and Financial Instruments, incorporated by reference herein.

MARK-TO-MARKET ACCOUNTING

Through December 31, 2002, CMS MST's wholesale power and gas trading activities were accounted for under the mark-to-market method of accounting. Effective, January 1, 2003, EITF Issue No. 98-10 was rescinded by EITF Issue No. 02-03 and as a result, only energy contracts that meet the definition of a derivative in SFAS No. 133 can be carried at fair value. The impact of this change for CMS MST was recognized as a cumulative effect of a change in accounting principle of $(23) million, net of tax. See Note 10, Adoption of New Accounting Standards. Under mark-to-market accounting, energy-trading contracts are reflected at fair market value, net of reserves, with unrealized gains and losses recorded as an asset or liability in the consolidated balance sheets. These assets and liabilities are affected by the timing of settlements related to these contracts, current-period changes from newly originated transactions and the impact of price movements.

Changes in fair value are recognized as revenues in the consolidated statements of income in the period in which the changes occur. Market prices used to value outstanding financial instruments reflect management's consideration of, among other things, closing exchange and over-the-counter quotations. In certain contracts, long-term commitments may extend beyond the period in which market quotations for such contracts are available and volumetric obligations may not be defined. Mathematical models are developed to determine various inputs into the fair value calculation including price, anticipated volumetric obligations and other inputs that may be required to adequately address the determination of fair value of the contracts. Realized cash returns on these commitments may vary, either positively or negatively, from the results estimated through application of the mathematical model. CMS Energy believes that its mathematical models utilize state-of-the-art technology, pertinent industry data and prudent discounting in order to forecast certain elongated pricing curves. Market prices are adjusted to reflect the impact of liquidating the company's position in an orderly manner over a reasonable period of time under present market conditions.

In connection with the market valuation of its energy commodity contracts, CMS Energy maintains reserves for credit risks based on the financial condition of counterparties. The creditworthiness of these counterparties will impact overall exposure to credit risk; however, CMS Energy maintains credit policies that management believes minimize overall credit risk with regard to its counterparties. Determination of its counterparties' credit quality is based upon a number of factors, including credit ratings, financial condition, and collateral requirements. When trading terms permit, CMS Energy employs standard agreements that allow for netting of positive and negative exposures associated with a single counterparty. Based on these policies, its current exposures and its credit reserves, CMS Energy does not anticipate a material adverse effect on its financial position or results of operations as a result of counterparty nonperformance.

The following tables provide a summary of the fair value of CMS Energy's energy commodity contracts as of March 31, 2003.

	In Millions
Fair value of contracts outstanding as of December 31, 2002	$ 81
Fair value of new contracts when entered into during the period	-
Implementation of EITF Issue No. 02-03 (a)	(36)
Fair value of derivative contracts sold and received from asset sales (b)	(30)
Changes in fair value attributable to changes in valuation techniques and assumptions	-
Contracts realized or otherwise settled during the period	(12)
Other changes in fair value (c)	4
Fair value of contracts outstanding as of March 31, 2003	$ 7

(a) Reflects the removal of contracts that do not qualify as derivatives under SFAS No. 133 as of January 1, 2003.

(b) Reflects $(60) million of price risk management assets sold and $30 million of price risk management assets received related to the sales of the gas and power books.

(c) Reflects changes in price and net increase/(decrease) in position size of forward positions as well as changes to mark-to-market and credit reserves.

Fair Value of Contracts at March 31, 2003 — In Millions

Source of Fair Value	Total Fair Value	Less than 1	1 to 3	4 to 5	Maturity(in years) Greater than 5
Prices actively quoted	$ (2)	$ (2)	$ -	$ -	$ -
Prices based on models and other valuation methods	9	4	4	1	-
Total	$ 7	$ 2	$ 4	$ 1	$ -

INTERNATIONAL OPERATIONS AND FOREIGN CURRENCY

CMS Energy, through its subsidiaries and affiliates, has acquired investments in energy-related projects throughout the world. As a result of a change in business strategy, over the last two years, CMS Energy has been divesting its non-strategic or under-performing foreign investments.

BALANCE SHEET: CMS Energy's subsidiaries and affiliates whose functional currency is other than the U.S. dollar translate their assets and liabilities into U.S. dollars at the exchange rates in effect at the end of the fiscal period. The revenue and expense accounts of such subsidiaries and affiliates are translated into U.S. dollars at the average exchange rate during the period. The gains or losses that result from this process, and gains and losses on intercompany foreign currency transactions that are long-term in nature that CMS Energy does not intend to settle in the foreseeable future, are reflected as a component of stockholders' equity in the consolidated balance sheets as "Foreign Currency Translation" in accordance with the accounting guidance provided in SFAS No. 52. As of March 31, 2003, the cumulative Foreign Currency Translation decreased stockholders' equity by $445 million. Included in this amount is an unrealized loss of $119 million, net of tax, related to CMS Energy's investment in Loy Yang. The loss will be realized upon sale, full liquidation, or other disposition of CMS Energy's investment in Loy Yang. CMS Energy is continuing to review its business alternatives for its investment in Loy Yang, including future financing and operating alternatives, the nature and extent of CMS Energy's future involvement and the potential for an ultimate sale of its interest in the future. CMS Energy has not established a deadline for any of these alternatives.

Argentina: In January 2002, the Republic of Argentina enacted the Public Emergency and Foreign Exchange System Reform Act. This law repealed the fixed exchange rate of one U.S. dollar to one Argentina peso, converted all dollar-denominated utility tariffs and energy contract obligations into pesos at the same one-to-one exchange rate, and directed the President of Argentina to renegotiate such tariffs.

Effective April 30, 2002, CMS Energy adopted the Argentine peso as the functional currency for most of its Argentine investments. CMS had previously used the U.S. dollar as the functional currency for its Argentine investments. As a result, on April 30, 2002, CMS Energy translated the assets and liabilities of its Argentine entities into U.S. dollars, in accordance with SFAS No. 52, using an exchange rate of 3.45 pesos per U.S. dollar, and recorded an initial charge to the Foreign Currency Translation component of Common Stockholders' Equity of approximately $400 million.

While CMS Energy's management cannot predict the most likely future, or average peso to U.S. dollar exchange rates, it does expect that these non-cash charges substantially reduce the risk of further material balance sheet impacts when combined with anticipated proceeds from international arbitration currently in progress, political risk insurance, and the eventual sale of these assets. At March 31, 2003, the net foreign currency loss due to the unfavorable exchange rate of the Argentine peso recorded in the Foreign Currency Translation component of Common Stockholder's Equity using an exchange rate of 2.973 pesos per U.S. dollar was $258 million. This amount also reflects the effect of recording U.S. income taxes with respect to temporary differences between the book and tax basis of foreign investments, including the foreign currency translation associated with CMS Energy's Argentine investments, that were determined to no longer be essentially permanent in duration.

INCOME STATEMENT: For subsidiaries operating in highly inflationary economies or that meet the U.S. functional currency criteria outlined in SFAS No. 52, the U.S. dollar is deemed to be the functional currency. Gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the U.S. dollar, except those that are hedged, are included in determining net income.

HEDGING STRATEGY: CMS Energy uses forward exchange and option contracts to hedge certain receivables, payables, long-term debt and equity value relating to foreign investments. The purpose of CMS Energy's foreign currency hedging activities is to protect the company from risk that U.S. dollar net cash flows resulting from sales to foreign customers and purchases from foreign suppliers and the repayment of non-U.S. dollar borrowings, as well as the equity reported on the company's balance sheet, may be adversely affected by changes in exchange rates. These contracts do not subject CMS Energy to risk from exchange rate movements because gains and losses on such contracts are inversely correlated with the losses and gains, respectively, on the assets and liabilities being hedged. Foreign currency adjustments for other CMS Energy international investments were immaterial.

ACCOUNTING FOR THE EFFECTS OF INDUSTRY REGULATION

Because Consumers is involved in a regulated industry, regulatory decisions affect the timing and recognition of revenues and expenses. Consumers uses SFAS No. 71 to account for the effects of these regulatory decisions. As a result, Consumers may defer or recognize revenues and expenses differently than a non-regulated entity.

For example, items that a non-regulated entity would normally expense, Consumers may capitalize as regulatory assets if the actions of the regulator indicate such expenses will be recovered in future rates. Conversely, items that non-regulated entities may normally recognize as revenues, Consumers may record as regulatory liabilities if the actions of the regulator indicate they will require such revenues to be refunded to customers. Judgment is required to discern the recoverability of items recorded as regulatory assets and liabilities. As of March 31, 2003, Consumers had $1.121 billion recorded as regulatory assets and $463 million recorded as regulatory liabilities.

In March 1999, Consumers received MPSC electric restructuring orders, which, among other things, identified the terms and timing for implementing electric restructuring in Michigan. Consistent with these orders and EITF No. 97-4, Consumers discontinued the application of SFAS No. 71 for the energy supply portion of its business because Consumers expected to implement retail open access at competitive market-based rates for its electric customers. Since 1999, there has been a significant legislative and regulatory change in Michigan that has resulted in: 1) electric supply customers of utilities remaining on cost-based rates and 2) utilities being given the ability to recover Stranded Costs associated with electric restructuring, from customers who choose an alternative electric supplier. During 2002, Consumers re-evaluated the criteria used to determine if an entity or a segment of an entity meets the requirements to apply regulated utility accounting, and determined that the energy supply portion of its business could meet the criteria if certain regulatory events occurred. In December 2002, Consumers received a MPSC Stranded Cost order that allowed Consumers to re-apply regulatory accounting standard SFAS No. 71 to the energy supply portion of its business. Re-application of SFAS No. 71 had no effect on the prior discontinuation accounting, but will allow Consumers to apply regulatory accounting treatment to the energy supply portion of its business beginning in the fourth quarter of 2002, including regulatory accounting treatment of costs required to be recognized in accordance with SFAS No. 143.

ACCOUNTING FOR NUCLEAR DECOMMISSIONING COSTS

Consumers' decommissioning cost estimates for the Big Rock and Palisades plants assume that each plant site will eventually be restored to conform to the adjacent landscape with all contaminated equipment and material removed and disposed of in a licensed burial facility and the site released for unrestricted use. A March 1999 MPSC order provided for fully funding the decommissioning trust funds for both sites. The order set the annual decommissioning surcharge for the Palisades decommissioning at $6 million a year. Consumers estimates that at the time of the decommissioning of Palisades, its decommissioning trust fund will be fully funded. Earnings assumptions are that the trust funds are invested in equities and fixed income investments, equities will be converted to fixed income investments during decommissioning and fixed income investments are converted to cash as needed. Decommissioning costs have been developed, in part, by independent contractors with expertise in decommissioning. These costs estimates use various inflation rates for labor, non-labor, and contaminated equipment disposal costs.

On December 31, 2000, the Big Rock trust fund was considered fully funded. A portion of its current decommissioning cost is due to the failure of the DOE to remove fuel from the site. These costs, and similar costs incurred at Palisades, would not be necessary but for the failure of the DOE to take possession of the spent fuel as required by the Nuclear Waste Policy Act of 1982. A number of utilities have commenced litigation in the Court of Claims, including Consumers, which filed its complaint in December 2002. The Chief Judge of the Court of Claims identified six lead cases to be used as vehicles for resolving dispositive motions. Consumers' case is not a lead case. It is unclear what impact this decision by the Chief Judge will have on the outcome of Consumers' litigation. If the litigation that was commenced in the fourth quarter of 2002, against the DOE is successful, Consumers anticipates future recoveries from the DOE to defray the significant costs it will incur for the storage of spent fuel until the DOE takes possession as required by law.

On March 26, 2003, the Michigan Environmental Council, the Public Interest Research Group in Michigan, and the Michigan Consumer Federation submitted a complaint to the MPSC which was served on Consumers by the MPSC on April 18, 2003. The complaint asks the MPSC to commence a generic investigation and contested case to review all facts and issues concerning costs associated with spent nuclear fuel storage and disposal. The complaint seeks a variety of relief with respect to Consumers Energy, The Detroit Edison Company, Indiana & Michigan Electric Company, Wisconsin Electric Power Company and Wisconsin Public Service Corporation including establishing external trusts to which amounts collected in electric rates for spent nuclear fuel storage and disposal should be transferred, and the adoption of additional measures related to the storage and disposal of spent nuclear fuel. Consumers is reviewing the complaint. Consumers is unable to predict the outcome of this matter.

The funds provided by the trusts and additional funds from DOE litigation are expected to fully fund the decommissioning costs. Variance from trust earnings, a lesser recovery of costs from the DOE, changes in decommissioning technology, regulations, estimates or assumptions could affect the cost of decommissioning these sites and the adequacy of the decommissioning trust funds.

ACCOUNTING FOR PENSION AND OPEB

CMS Energy provides postretirement benefits under its Pension Plan, and postretirement health and life insurance benefits under its OPEB plans to substantially all its retired employees. CMS Energy uses SFAS No. 87 to account for pension costs and uses SFAS No. 106 to account for other postretirement benefit costs. These statements require liabilities to be recorded on the balance sheet at the present value of these future obligations to employees net of any plan assets. The calculation of these liabilities and associated expenses require the expertise of actuaries and are subject to many assumptions including life expectancies, present value discount rates, expected long-term rate of return on plan assets, rate of compensation increase and anticipated health care costs. Any change in these assumptions can significantly change the liability and associated expenses recognized in any given year. The Pension Plan includes amounts for employees of Panhandle, which were not distinguishable from the Pension Plan's total assets. On December 21, 2002, a definitive agreement was executed to sell Panhandle. The sale is expected to close in 2003. No portion of the Pension Plan will be transferred with the sale of Panhandle. At the closing of the sale, all employees of Panhandle will no longer be eligible to accrue additional benefits. The Pension Plan will retain pension payment obligations under the Pension Plan for Panhandle employees that are vested under the Pension Plan. CMS Energy expects a curtailment gain of $2 million for the Pension Plan and $2 million for the OPEB plan relating to the sale of Panhandle.

CMS Energy estimates pension expense will approximate $46 million, $51 million and $58 million in 2003, 2004 and 2005, respectively. Future actual pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the populations participating in the Pension Plan.

CMS Energy has announced changes to the Pension Plan. Employees hired on or after July 1, 2003 will be covered by the cash balance plan section of the plan currently being used. Under the cash balance plan, an employee's retirement account is credited annually with a percentage of their salary and any amounts that are vested are portable when an employee leaves the company. In addition, the method used to convert an employee's benefit to a lump sum payment is being changed. Employees who elect the lump sum payment option will not earn any additional early retirement subsidy. As a result, employees who choose the lump sum payment option, and retire before age 65, will receive lower lump sum payments.

In order to keep health care benefits and costs competitive, CMS Energy has announced several changes to the Health Care Plan. These changes are effective January 1, 2003. The most significant change is that CMS Energy's future increases in health care costs will be shared with salaried employees. The salaried retirees Health Care Plan also has been amended. Pre-Medicare retirees now elect coverage from four different levels of coverage, with the two best coverage options requiring premium contributions. These plans also coordinate benefits under a maintenance of benefits provision to reduce claims cost for the Company. Mail-order prescription copays also have been increased for all salaried retirees.

RESULTS OF OPERATIONS

CMS ENERGY CONSOLIDATED RESULTS OF OPERATIONS

In Millions (Except for EPS)		
Three Months Ended March 31	2003	2002
CMS Energy Net Income	$ 79	$ 42
CMS Energy Basic Earnings Per Share	$ 0.55	$0.32
CMS Energy Diluted Earnings Per Share	$ 0.51	$0.32

CMS Energy net income reflects the continued implementation of the financial improvement plan and on-going asset sales program first announced in 2001. The financial improvement plan focuses on strengthening CMS Energy's balance sheet and improving financial liquidity through debt reduction and aggressive cost management. The on-going asset sales program's objectives are to generate cash to reduce debt, reduce business risk and provide for more predictable future earnings. This program encompasses the sale of non-strategic and under-performing assets, the proceeds of which are being used primarily to reduce debt.

CMS Energy Net Income			In Millions
Three Months Ended March 31	2003	2002	Change
	$ 79	$ 42	$ 37
Electric Utility	$ 51	$ 50	$ 1
Gas Utility	54	28	26
Enterprises	23	66	(43)
Corporate Interest and Other	(52)	(51)	(1)
Discontinued Operations	27	(51)	78
Accounting Changes	(24)	-	(24)
Net Income	$ 79	$ 42	$ 37

For the three months ended March 31 2003, CMS Energy's net income was $79 million or $0.51 per diluted share, an increase of $37 million or $0.19 per share from the three months ended March 31, 2002. The increase primarily reflects increased electric and gas deliveries and the impact of Consumers' final gas rate order issued in the fourth quarter of 2002 that increased gas tariff rates. The three months ended March 31, 2003 also includes the cumulative effect of a change in accounting resulting from the implementation of EITF Issue No. 02-03 at CMS MST of $(23) million, net of tax and the implementation of SFAS No. 143 of $(1) million, net of tax. The three months ended March 31, 2002 includes an after-tax gain on the sale of CMS Energy's ownership interests in Equatorial Guinea properties of $324 million and the cumulative effect of a change in accounting for goodwill at Panhandle of ($369) million, net of tax and CMS Viron of $(10) million, net of tax, which are reflected in discontinued operations.

CONSUMERS' ELECTRIC UTILITY RESULTS OF OPERATIONS

In Millions			
March 31	2003	2002	Change
Three months ended	$51	$50	$1

Reasons for the change:	
Electric deliveries	$13
Power supply costs and related revenue	13
Other operating expenses and non-commodity revenue	(22)
Fixed charges	(3)
Total change	$ 1

ELECTRIC DELIVERIES: For the three months ended March 31, 2003, electric delivery revenues increased by $13 million from the previous year. Electric deliveries, including transactions with other wholesale market participants and other electric utilities, were 9.7 billion kWh, an increase of 0.5 billion kWh or 5.6 percent from 2002. This increase is primarily the result of increased deliveries to the higher margin residential and commercial sectors, along with the growth in retail deliveries.

POWER SUPPLY COSTS AND RELATED REVENUE: For the three months ended March 31, 2003, power supply costs and related revenues increased electric net income by $13 million from 2002. This increase is primarily the result of increased intersystem revenues.

OTHER OPERATING EXPENSES AND NON-COMMODITY REVENUE: For the three months ended March 31, 2003, operating expenses increased compared to 2002. This increase can be attributed to a scheduled refueling outage at Palisades that began in March and higher transmission costs due to the loss of a financial return on the sold Consumers' transmission system asset in May 2002. Slightly offsetting these increased operating expenses are increased non-commodity revenues associated with miscellaneous service revenues.

INCOME TAXES: For the three months ended March 31, 2003, income tax expense remained relatively flat compared to 2002.

CONSUMERS' GAS UTILITY RESULTS OF OPERATIONS

In Millions			
March 31	2003	2002	Change
Three months ended	$54	$28	$26

Reasons for the change:	
Gas deliveries	$33
Gas rate increase	19
Gas wholesales and retail services	3
Operation and maintenance	(10)
General taxes, depreciation, and other income	(5)
Fixed charges	(1)
Income taxes	(13)
Total change	$ 26

GAS DELIVERIES: For the three months ended March 31, 2003, gas delivery revenues increased by $33 million from the previous year. System deliveries, including miscellaneous transportation, totaled 174 bcf, an increase of 25 bcf or 16.4 percent compared with 2002. This increase is primarily due to colder weather that resulted in increased deliveries to the residential and commercial sectors in 2003.

GAS RATE INCREASE: In November 2002, the MPSC issued a final gas rate order authorizing a $56 million annual increase in Consumers gas tariff rates. As a result of this order, Consumers recognized increased gas revenues of $19 million.

OPERATION AND MAINTENANCE: For the three months ended March 31, 2003, operation and maintenance expenses increased $10 million compared to 2002. This increase reflects the recognition of additional expenditures on safety, reliability and customer service due to the colder temperatures for the quarter, compared to the same period in 2002.

INCOME TAXES: For the three months ended March 31, 2003, income tax expense increased primarily due to improved earnings of the gas utility.

ENTERPRISES RESULTS OF OPERATIONS

For the three months ended March 31, 2003, Enterprises net income was $23 million, a decrease of $43 million from the comparable period in 2002. The decrease reflects reduced CMS MST and CMS Gas Transmission earnings due primarily to the shift in business strategy. See the Enterprises Outlook section in this MD&A. The decrease was partially offset by improved independent power production results due to improved earnings at the MCV Facility and stabilization of the Argentine Peso which resulted in foreign currency gains at the Argentine power plants.

OTHER RESULTS OF OPERATIONS

For the three months ended March 31, 2003, corporate interest and other net expenses were $52 million compared to $51 million for the comparable period in 2002. Interest expense, net of tax, for the three months ended March 31, 2003 was $43 million, a decrease of $9 million from the comparable 2002 period, reflecting lower interest costs at the Parent. Corporate overhead and other expenses increased $11 million from the comparable 2002 period due primarily to the timing of certain corporate expenses incurred.

OTHER: Discontinued Operations includes Panhandle, CMS Viron, CMS Field Services and International Energy Distribution. For more information, see Note 3, Discontinued Operations.

CAPITAL RESOURCES AND LIQUIDITY

CASH POSITION, INVESTING AND FINANCING

CMS Energy's primary ongoing source of cash is dividends and other distributions from subsidiaries, including proceeds from asset sales. During the first quarter of 2003, Consumers paid $78 million in common dividends and other distributions and Enterprises paid $18 million in common dividends and other distributions to CMS Energy. In March 2003, Consumers declared a $31 million common dividend to CMS Energy, payable in May 2003. CMS Energy's consolidated cash requirements are met by its operating and financing activities. Consistent with CMS Energy's liquidity objectives, $675 million consolidated cash was on hand at March 31, 2003.

OPERATING ACTIVITIES: CMS Energy's net cash provided by operating activities is derived mainly from the processing, storage, transportation and sale of natural gas and the generation, distribution and sale of electricity. For the first three months of 2003 and 2002, cash from operations after interest charges totaled $400 million and $247 million, respectively. The $153 million increase in cash from operations resulted primarily from an increase in cash earnings and a decrease in inventories. These improvements in cash from operations were partially offset by an increase in accounts receivable and accrued revenues and other temporary changes in working capital items due to timing of cash receipts and payments. CMS Energy uses cash derived from its operating activities primarily to maintain and expand its businesses and to pay interest on and retire portions of its long-term debt.

INVESTING ACTIVITIES: For the first three months of 2003 and 2002, CMS Energy's net cash (used in) provided by investing activities totaled $(53) million and $647 million, respectively. The $700 million decrease in cash provided primarily reflects a decrease in proceeds received from the sale of assets. CMS Energy's expenditures, including investments and assets placed under capital lease, in the first three months of 2003 for its utility and diversified energy businesses were $126 million and $42 million, respectively, compared to $164 million and $30 million, respectively, for the first three months of 2002.

FINANCING ACTIVITIES: For the first three months of 2003 and 2002, CMS Energy's net cash used in financing activities totaled $50 million and $891 million, respectively. The $841 million decreased use of cash resulted primarily from an increase in proceeds received from notes, bonds and other long-term debt of $15 million, a decrease in retirement of notes, bonds and other long-term debt of $742 million, a decrease in the retirement of trust preferred securities of $30 million, a decrease in the payment of common stock dividends of $49 million and a lesser decrease in notes payable of $48 million. These improvements in financing activities were partially offset by a decrease in proceeds received from the issuance of common stock of $42 million.

In January 2003, the Board of Directors suspended the payment of common stock dividends. CMS Energy expects this dividend suspension will improve its liquidity by more than $100 million in 2003.

OTHER INVESTING AND FINANCING MATTERS: At March 31, 2003, the book value per share of CMS Energy Common Stock was $8.53.

CREDIT FACILITIES: On March 30, 2003, CMS Energy entered into an amendment and restatement of its existing $300 million and $295.8 million revolving credit facilities under which $409 million was then outstanding. The Second Amended and Restated Senior Credit Agreement includes a $159 million tranche with a maturity date of April 30, 2004 and a $250 million tranche with a maturity date of September 30, 2004. The facility was underwritten by several banks at a total annual cost to CMS Energy of approximately ten percent, which includes the initial commitment fee. Any proceeds of debt or equity issuances by CMS Energy and its subsidiaries or any asset sales by CMS Energy or its subsidiaries, other than Consumers, are required to be used to prepay this facility. This facility is collateralized primarily by the stock of Consumers, Enterprises and certain Enterprises subsidiaries.

On March 30, 2003, Enterprises entered into a revolving credit facility in an aggregate amount of $441 million. The maturity date of this facility is April 30, 2004. Subsequently, on April 21, 2003, Enterprises entered into a $75 million revolving credit facility with a maturity date of April 30, 2004. These facilities were underwritten by several banks at a total annual cost to CMS Energy of approximately ten percent, which includes the initial commitment fee. Proceeds from these loans will be used for general corporate purposes, to retire debt and to collateralize $160 million of letters of credit. Any proceeds of debt or equity issuances by CMS Energy and its subsidiaries or any asset sales by CMS Energy or its subsidiaries, other than Consumers,

are required to be used to prepay these facilities. It is expected that proceeds from the Panhandle sale will be used to pay off these facilities in full. These facilities are guaranteed by CMS Energy, whose guaranty is primarily secured by the stock of Consumers and Enterprises.

REQUIRED RATIOS: CMS Energy's credit facilities have contractual restrictions that require CMS Energy to maintain certain ratios as of the last day of each fiscal quarter. Violation of these ratios would constitute an event of default under the facility which provides the lender, among other remedies, the right to declare the principal and interest immediately due and payable. At March 31, 2003, CMS Energy was in compliance with required ratios.

Required Ratio	Limitation	Ratio at March 31, 2003
Consolidated Leverage Ratio	not more than 7.00 to 1.00	5.84 to 1.00
Cash Dividend Coverage Ratio	not less than 1.20 to 1.00	1.73 to 1.00

In 1994, CMS Energy executed an indenture with J.P.Morgan Chase Bank pursuant to CMS Energy's general term notes program. The indenture, through supplements, contains certain provisions that can trigger a limitation on CMS Energy's consolidated indebtedness. The limitation can be activated when CMS Energy's consolidated leverage ratio, as defined in the indenture (essentially the ratio of consolidated debt to consolidated capital), exceeds 0.75 to 1.0. At March 31, 2003, CMS Energy's consolidated leverage ratio was 0.79 to 1.0. As a result, CMS Energy will not and will not permit certain material subsidiaries, excluding Consumers and its subsidiaries, to become liable for new indebtedness. However, CMS Energy and the material subsidiaries may incur revolving indebtedness to banks of up to $1 billion in the aggregate and refinance existing debt outstanding of CMS Energy and of its material subsidiaries. This leverage ratio may be significantly reduced with the proceeds of CMS Energy's sale of Panhandle, its sale of CMS Field Services, or other asset sales.

REGULATORY AUTHORIZATION FOR FINANCINGS: At March 31, 2003, Consumers had FERC authorization to issue or guarantee through June 2004, up to $1.1 billion of short-term securities outstanding at any one time. Consumers also had remaining FERC authorization to issue through June 2004 up to $500 million of long-term securities for refinancing or refunding purposes, $381 million for general corporate purposes, and $610 million of first mortgage bonds to be issued solely as collateral for the long-term securities. On April 30, 2003, Consumers sold $625 million principal amount of first mortgage bonds. Its remaining FERC authorization after this issue is (1) $250 million of long-term securities for refinancing or refunding purposes, (2) $6 million for general corporate purposes, and (3) $610 million remaining first mortgage bonds available to be issued solely as collateral for the long-term securities. Consumers anticipates applying in the second quarter of 2003 for an increase in FERC authorization to issue new long-term securities for refinancing or refunding and for general corporate purposes. On October 10, 2002, FERC granted a waiver of its competitive bid/negotiated placement requirements applicable to the remaining long-term securities authorization indicated above.

LONG TERM FINANCINGS: In March 2003, Consumers entered into a $140 million term loan secured by first mortgage bonds with a private investor bank. This loan has a term of six years at a cost of LIBOR plus 475 basis points. Proceeds from this loan were used for general corporate purposes.

In March 2003, Consumers entered into a $150 million term loan secured by first mortgage bonds. This term loan has a three-year maturity expiring in March 2006; the loan has a cost of LIBOR plus 450 basis points. Proceeds from this loan were used for general corporate purposes.

In April 2003, Consumers sold $625 million principal amount of first mortgage bonds in a private offering to institutional investors; $250 million were issued at 4.25 percent, maturing on April 15, 2008, and net proceeds

were approximately $248 million, $375 million were issued at 5.38 percent, maturing on April 15, 2013, and net proceeds were approximatley $371 million. Consumers used the net proceeds to replace a $250 million senior reset put bond that matured in May 2003, to pay an associated $32 million option call payment, and for general corporate purposes that may include paying down additional debt. Consumers has agreed to file a registration statement with the SEC to permit holders of these first mortgage bonds to exchange the bonds for new bonds that will be registered under the Securities Act of 1933. Consumers has agreed to file this registration statement by December 31, 2003.

SHORT TERM FINANCINGS: In March 2003, Consumers obtained a replacement revolving credit facility in the amount of $250 million secured by first mortgage bonds. The cost of the facility is LIBOR plus 350 basis points. The new credit facility matures in March 2004 with two annual extensions at Consumers' option, which would extend the maturity to March 2006. The prior facility was due to expire in July 2003.

RESTRICTED PAYMENTS: Pursuant to restrictive covenants in debt facilities, Consumers is limited to common stock dividend payments that will not exceed $300 million in any calendar year. In January 2003, Consumers declared and paid a $78 million common dividend. In March 2003, Consumers declared a $31 million common dividend payable in May 2003.

OBLIGATIONS AND COMMITMENTS

The following information on CMS Energy's contractual obligations, off-balance sheet arrangements and commercial commitments is provided to collect information in a single location so that a picture of liquidity and capital resources is readily available.

CONTRACTUAL OBLIGATIONS: CMS Energy has contractual obligations including long-term debt, notes payable, and capital lease obligations. Notes payable include Consumers' $250 million revolving credit agreement. Capital leases include leased service vehicles and the new headquarters building.

OFF-BALANCE SHEET ARRANGEMENTS: CMS Energy's use of long-term contracts for the purchase of commodities and services, the sale of Consumers' accounts receivables, and operating leases are considered to be off-balance sheet arrangements.

CMS Energy's operating leases are predominately railroad coal car leases, aircraft, vehicles and miscellaneous office equipment. The full lease obligation becomes due in case of lease payment default.

At March 31, 2003, Consumers had, through its wholly owned subsidiary Consumers Receivables Funding, a $325 million trade receivable sale program in place as an anticipated source of funds for general corporate purposes. At March 31, 2003 and 2002, the receivables sold totaled $325 million for each year; the average annual discount rate was 1.57 percent and 2.15 percent, respectively. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold. On April 30, 2003, Consumers ended its trade receivable sale program with its then existing purchaser and anticipates that a new receivable program will be in place with a new purchaser in May 2003.

Unconditional purchase obligations include natural gas, electricity, and coal purchase contracts and their associated cost of transportation. These obligations represent normal business operating contracts used to assure adequate supply and to minimize exposure to market price fluctuations. Consumers has long-term power purchase agreements with various generating plants including the MCV Facility. These contracts require monthly capacity payments based on the plants' availability or deliverability. These payments are approximately $47 million per month for the remaining nine months of 2003, including $34 million related to the MCV Facility. If a plant is not available to deliver electricity to Consumers, then Consumers would not be obligated to make the capacity payment while the plant is unable to deliver. CMS Energy uses these off-balance sheet arrangements in its normal business operations.

In addition, CMS Energy, through its subsidiary companies, has equity investments in partnerships and joint ventures in which they have a minority ownership interest. As of March 31, 2003, CMS Energy's proportionate share of unconsolidated debt associated with these investments was $2.6 billion. This unconsolidated debt is non-recourse to CMS Energy and is not included in the amount of long-term debt that appears on CMS Energy's Consolidated Balance Sheets.

The following table shows a summary of CMS Energy's contractual obligations, including off-balance sheet commitments at March 31, 2003.

Contractual Obligations — In Millions

		Payments Due					
March 31	Total	2003	2004	2005	2006	2007	Beyond
On-balance sheet:							
Long-term debt	$ 6,127	$ 915	$ 461	$ 744	$ 663	$ 538	$ 2,806
Notes payable	253	253	-	-	-	-	-
Capital lease obligations(a)	153	12	19	18	17	16	71
Total on-balance sheet	$ 6,533	$1,180	$ 480	$ 762	$ 680	$ 554	$ 2,877
Off-balance sheet:							
Non-recourse debt	$ 2,614	$ 270	$152	$ 128	$ 392	$ 32	$ 1,640
Operating leases	94	13	14	10	10	8	39
Sale of accounts receivable	325	325	-	-	-	-	-
Unconditional purchase Obligations	18,888	1,843	1,386	1,119	874	742	12,924
Total off-balance sheet	$21,921	$2,451	$1,552	$1,257	$1,276	$ 782	$14,603

(a) Capital lease obligations include $20 million of imputed interest.

COMMERCIAL COMMITMENTS: As of March 31, 2003, CMS Energy, Enterprises, and their subsidiaries have guaranteed payment of obligations through guarantees, indemnities and letters of credit, of unconsolidated affiliates and related parties approximating $993 million. Included in this amount, Enterprises, in the ordinary course of its business, has guaranteed contracts of CMS MST that contain certain schedule and performance requirements. As of March 31, 2003, the actual amount of financial exposure covered by these guarantees and indemnities was $297 million. Management monitors and approves these obligations and believes it is unlikely that CMS Energy would be required to perform or otherwise incur any material losses associated with these guarantees. Indemnities are three-party agreements used to assure performance of contracts by CMS Energy. Letters of credit are issued by banks guaranteeing CMS Energy's payments of its drafts. Drafts are for a stated amount and for a specified period; they substitute the bank's credit for CMS Energy's and eliminate the credit risk for the other party.

Commercial Commitments — In Millions

		Commitment Expiration					
March 31	Total	2003	2004	2005	2006	2007	Beyond
Off-balance sheet:							
Guarantees	$ 469	$ 20	$ -	$ -	$ 4	$ -	$445
Indemnities	241	5	-	36	-	-	200
Letters of Credit	283	247	32	-	-	-	4
Total	$993	$ 272	$ 32	$ 36	$ 4	$ -	$649

For further information, see Note 5, Short-Term and Long-Term Financings and Capitalization, incorporated by reference herein.

OUTLOOK

CAPITAL RESOURCES AND LIQUIDITY

CMS Energy's liquidity and capital requirements generally are a function of its results of operations, capital expenditures, contractual obligations, working capital needs and collateral requirements. CMS Energy has historically met its consolidated cash needs through its operating and investing activities and, as needed, through access to bank financing and the capital markets.

In 2003, CMS Energy has contractual obligations and planned capital expenditures that would require substantial amounts of cash. CMS Energy at the parent level had approximately $598 million, Consumers and its subsidiaries had approximately $727 million, and Panhandle and its subsidiaries had approximately $52 million of publicly issued and credit facility debt maturing in 2003.

CMS Energy and Consumers have taken significant steps to address their 2003 maturities, as described below. As of May 9, 2003, CMS Energy at the parent level had approximately $220 million, Consumers and its subsidiaries had approximately $20 million, and Panhandle and its subsidiaries had approximately $39 million of remaining publicly issued and credit facility debt maturing in 2003. CMS Energy has amounts held in escrow to satisfy its 2003 maturities including interest. In addition, CMS Energy could also become subject to liquidity demands pursuant to commercial commitments under guarantees, indemnities and letters of credit. Management is pursuing actively plans to refinance debt and to sell assets, including the sale of Panhandle and Field Services. See Corporate Outlook section below.

CMS ENERGY PARENT LEVEL LIQUIDITY

CMS Energy at the parent level is addressing its near-to-mid-term liquidity and capital requirements through a financial improvement plan that involves the sale of non-strategic and under-performing assets of approximately $900 million, receipt of dividends from its subsidiaries of approximately $327 million, and reduction of approximately $1.290 billion of outstanding debt along with reduced capital expenditures, cost reductions and other measures.

CMS Energy has reduced debt through asset sales and securitization proceeds, with a total of approximately $2.8 billion in cash proceeds from such events over the past two years. Through March of 2003, CMS Energy has accomplished approximately $97 million of additional asset sales as described below. In January 2003, CMS MST closed on the sale of a substantial portion of its natural gas trading contracts for $17 million of cash proceeds. The sale of Centennial, resulting in proceeds to CMS Energy of $40 million, closed in February 2003. In March 2003, CMS MST sold the majority of its wholesale power book and related supply portfolio for cash proceeds of $34 million to Constellation Power Source, Inc. The sale contains a potential to increase proceeds to $40 million dependent upon future years' performance of the sold assets. Additionally, during the first quarter of 2003, CMS MST sold its 50 percent joint venture ownership interest in Texon, its 50 percent interest in Premstar and its Tulsa retail contracts, resulting in net cash proceeds of approximately $6 million.

CMS Energy believes that further targeted asset sales, together with its planned reductions in operating expenses, capital expenditures, and the suspension of the common dividend also will contribute to improved liquidity. CMS Energy believes that, assuming the successful implementation of its financial improvement plan, its present level of cash and borrowing capacity along with anticipated cash flows from operating and investing activities will be sufficient to meet its liquidity needs through 2003. There can be no assurances that the financial improvement plan will be successful and failure to achieve its goals could have a material adverse effect on CMS Energy's liquidity and operations. In such event, CMS Energy would be required to consider the full range of strategic measures available to companies in similar circumstances. CMS Energy continues to explore financing opportunities to supplement its financial improvement plan.

These potential opportunities include refinancing its bank credit facilities; entering into leasing arrangements and/or vendor financing; refinancing and issuing new capital markets debt, preferred and/or common equity; and negotiating private placement debt, preferred and/or common equity.

CONSUMERS ENERGY LIQUIDITY

Consumers plans to meet its liquidity and capital requirements in 2003 through a combination of approximately $290 million from operations, $1.290 billion from borrowings including $563 million of new debt and $727 million refinancing of existing debt, reduced capital expenditures, cost reductions and other measures. The following table is a summary of Consumers' debt financing plan and actual borrowings for 2003:

Debt Financing in 2003 — In Millions

Financing	Financing Plan	Actual Borrowing	Type	Retired or Issued Date	Maturity	Collateral
Anticipated Maturities:						
Revolving credit facility	$ 250	$ 250	Refinanced	March 2003	March 2004 (a)	FMB
Senior note	250	250	Refunded (b)	April 2003	April 2008	-
Gas Inventory facility	227	-	Retired (c)	March 2003	-	-
Subtotal	$ 727	$ 500				
New Financings:						
Bank loan	140	140	New issue	March 2003	March 2009	FMB(e)
Term loan	150	150	New issue	March 2003	March 2006	FMB(e)
First mortgage bonds	250	375	New issue	April 2003	April 2013	-
Additional gas Inventory facility	23	- (d)	-	-	-	-
Subtotal	$ 563	$ 665				
Total	$1,290	$1,165				

(a) This facility has two annual extensions at Consumers' option, which would extend the maturity to March 2006.
(b) Refunded and replaced with FMB.
(c) Includes a gas inventory facility of $207 million retired in March 2003 and anticipated new gas inventory facility pay down of $20 million expected to occur in December 2003. See footnote (d).
(d) Consumers will seek to arrange a $125 million gas inventory loan in the third quarter 2003 and thus complete the $1.290 billion financing plan.
(e) Refer to Capital Resources and Liquidity, "Regulatory Authorization For Financings" above for information about Consumers' remaining FERC debt authorization.

Consumers believes that its current level of cash and borrowing capacity, along with anticipated cash flows from operating and investing activities, will be sufficient to meet its liquidity needs through 2003, including debt maturities in 2003. In addition to executing the debt financing plan for 2003 as discussed above, the following activities also have been initiated by Consumers to enhance further its liquidity beyond 2003.

- Consumers filed a general rate case for its gas utility business on March 14, 2003. Consumers requested rate relief in the amount of approximately $156 million. In its filing, Consumers requested immediate interim relief. If interim relief of $156 million were granted, Consumers expects that it will be in place by the fourth quarter of 2003.

- Consumers filed an application in March 2003, with the MPSC seeking authorization to issue $1.084 billion of Securitization bonds. These bonds would provide liquidity to Consumers at interest rates reflective of high quality credit. Consumers would utilize these proceeds to retire higher cost debt and in turn would realize significant interest expense savings over the life of the bonds. If the MPSC approves a financing in the amount requested, and there are no rehearing or court appeals and no other delays in the offering process, Consumers anticipates that bonds could be issued by year-end 2003.

There is no assurance that the pending Securitization bond issuance transaction noted above will be completed, nor is there assurance that the MPSC will grant either interim or final gas utility rate relief.

CORPORATE OUTLOOK

During the first quarter of 2003, CMS Energy continued to implement its financial improvement plan and on-going asset sales program first announced in 2001. The financial improvement plan focuses on strengthening CMS Energy's balance sheet and improving financial liquidity through debt reduction and aggressive cost management. The on-going asset sales program's objectives are to generate cash to reduce debt, reduce business risk, and provide for more predictable future earnings. This encompasses the sale of non-strategic and under-performing assets, the proceeds of which are being used to reduce debt.

Consistent with its "back-to-basics" strategy, CMS Energy is pursuing actively the sale of non-strategic and under-performing assets and has received approximately $2.8 billion of cash from asset sales, securitization proceeds and proceeds from LNG monetization. Upon the sale of additional non-strategic and under-performing assets, the proceeds realized may be materially different than the book value of those assets. Even though these assets have been identified for sale, management cannot predict when, nor make any assurances that, these asset sales will occur. CMS Energy anticipates, however, that the sales, if any, will result in additional cash proceeds that will be used to retire existing debt of CMS Energy or Consumers.

In December 2002, CMS Energy reached a definitive agreement to sell the Panhandle companies to Southern Union Panhandle Corp. The agreement called for Southern Union Panhandle Corp, a newly formed entity owned by Southern Union Company and AIG Highstar Capital L.P. to pay $662 million in cash and assume $1.166 billion in debt. On March 13, 2003, CMS Energy and Southern Union Company received requests for additional information ("second requests") from the FTC related to Southern Union's acquisition of Panhandle. CMS Energy and Southern Union are in the process of responding to the second requests.

On May 12, 2003, the parties entered into an amendment to the original stock purchase agreement that was executed in December 2002. Under the amendment, AIG Highstar Capital, L.P. and AIG Highstar II Funding Corp. will no longer be parties to the transaction. the Amended and Restated Stock Purchase Agreement calls for Southern Union Panhandle Corp. to purchase all of Panhandle's outstanding capital stock. Southern Union Panhandle Corp. agreed to pay approximately $584 million in cash and 3 million shares of Southern Union Company common stock, and to assume approximately $1.166 billion in debt. The total value of the transaction to CMS Energy will depend on the price of Southern Union Company common stock at the closing. At May 12, 2003, the closing price of Southern Union common stock on the New York Stock Exchange was $12.79. The boards of directors of all applicable companies have approved the amended agreement. The sale of Panhandle is subject to customary closing conditions and action by the Federal Trade Commission under the Hart-Scott-Rodino Act. All necessary state regulatory approvals for the sale pursuant to the original stock purchase agreement have been received. The parties expect the amendment will expedite the regulatory approval of the transaction and anticipate that state regulatory authorities will not object to the changed terms provided for in the amended agreement. The closing is expected to occur by June 30, 2003. AIG Highstar Capital's withdrawal from the transaction should help resolve regulatory issues that arose as a result of AIG Highstar Capital's ownership of Southern Star Central Gas Pipeline's Inc. CMS Gas Transmission and Southern Union also entered into a shareholder agreement, relating to CMS Gas Transmissions's ownership of the Southern Union shares of common stock. Pursuant to this shareholder agreement, CMS Gas Transmission generally will be prohibited from disposing of the Southern Union common stock for a period ending 90 - 105 days following the closing of the transaction.

Under the terms of the Panhandle sale agreement, CMS Energy was to retain Panhandle's ownership interests in the Centennial and Guardian pipeline projects, as well as certain of Panhandle's net deferred tax assets, all tax liabilities, and pension assets and liabilities. Panhandle has since sold its interest in Centennial and the Guardian interest has been transferred to Panhandle's direct parent, CMS Gas Transmission, which has signed a definitive

agreement to sell its interest in Guardian. The sale is expected to close in the second quarter of 2003.

In December 2002, CMS Energy discontinued the operations of Field Services, a subsidiary of CMS Gas Transmission. In May 2003, CMS Energy signed a definitive agreement to sell CMS Field Services to Cantera Resources Inc. for $115.5 million cash and $50 million face value note. The note is payable to CMS Energy for up to $50 million subject to the financial performance of the Fort Union and Bighorn natural gas gathering systems, from 2004 through 2008.

CONSUMERS' ELECTRIC UTILITY BUSINESS OUTLOOK

GROWTH: Over the next five years, Consumers expects electric deliveries (including both full service sales and delivery service to customers who choose to buy generation service from an alternative electric supplier, but excluding transactions with other wholesale market participants including other electric utilities) to grow at an average rate of approximately two percent per year based primarily on a steadily growing customer base. This growth rate reflects a long-range expected trend of growth. Growth from year to year may vary from this trend due to customer response to abnormal weather conditions and changes in economic conditions including, utilization and expansion of manufacturing facilities. Consumers has experienced much stronger than expected growth in 2002 as a result of warmer than normal summer weather. Assuming that normal weather conditions will occur in the remaining three quarters of 2003, electric deliveries are expected to grow less than one percent over the strong 2002 electric deliveries.

COMPETITION AND REGULATORY RESTRUCTURING: The enactment in 2000 of Michigan's Customer Choice Act and other developments will continue to result in increased competition in the electric business. Generally, increased competition can reduce profitability and threatens Consumers' market share for generation services. The Customer Choice Act allowed all of the company's electric customers to buy electric generation service from Consumers or from an alternative electric supplier as of January 1, 2002. As a result, alternative electric suppliers for generation services have entered Consumers' market. As of early May 2003, alternative electric suppliers are providing 571 MW of generation supply to customers. To the extent Consumers experiences "net" Stranded Costs as determined by the MPSC, the Customer Choice Act allows for the company to recover such "net" Stranded Costs by collecting a transition surcharge from those customers who switch to an alternative electric supplier. Consumers cannot predict the total amount of electric supply load that may be lost to competitor suppliers, nor whether the stranded cost recovery method adopted by the MPSC will be applied in a manner that will fully offset any associated margin loss.

Stranded and Implementation Costs: The Customer Choice Act allows electric utilities to recover the act's implementation costs and "net" Stranded Costs (without defining the term). The act directs the MPSC to establish a method of calculating "net" Stranded Costs and of conducting related true-up adjustments. In December 2001, the MPSC adopted a methodology which calculated "net" Stranded Costs as the shortfall between: (a) the revenue required to cover the costs associated with fixed generation assets, generation-related regulatory assets, and capacity payments associated with purchase power agreements, and (b) the revenues received from customers under existing rates available to cover the revenue requirement. The MPSC authorized Consumers to use deferred accounting to recognize the future recovery of costs determined to be stranded. Consumers has initiated an appeal at the Michigan Court of Appeals related to the MPSC's December 2001 "net" Stranded Cost order.

According to the MPSC, "net" Stranded Costs were to be recovered from retail open access customers through a Stranded Cost transition charge. In April 2002, Consumers made "net" Stranded Cost filings with the MPSC for $22 million for 2000 and $43 million for 2001. In the same filing, Consumers estimated that it would experience "net" Stranded Costs of $126 million for 2002. Consumers, in its hearing brief, filed in August 2002, revised its request for "net" Stranded Costs to $7 million and $4 million for 2000 and 2001, respectively, and an estimated $73 million for 2002. The single largest reason for the difference was the exclusion, as ordered by the MPSC, of all costs associated with expenditures required by the Clean Air Act.

In December 2002, the MPSC issued an order finding that Consumers experienced zero "net" Stranded Costs in 2000 and 2001, but declined to establish a defined methodology that would allow a reliable prediction of the level of Stranded Costs for 2002 and future years. In January 2003, Consumers filed a petition for rehearing of the December 2002 Stranded Cost order in which it asked the MPSC to grant rehearing and

revise certain features of the order. Several other parties also filed rehearing petitions with the MPSC. As discussed below, Consumers has filed a request with the MPSC for authority to issue securitization bonds that would allow recovery of the Clean Air Act expenditures that were excluded from the Stranded Cost calculation and post-2000 Palisades expenditures.

On March 4, 2003, Consumers filed an application with the MPSC seeking approval of "net" Stranded Costs incurred in 2002, and for approval of a "net" Stranded Cost recovery charge. In the application, Consumers indicated that if Consumers' proposal to securitize Clean Air Act expenditures and post-2000 Palisades expenditures were approved as proposed in its securitization case as discussed below, then Consumers' "net" Stranded Costs incurred in 2002 are approximately $35 million. If the proposal to securitize those costs is not approved, then Consumers indicated that the costs would be properly included in the 2002 "net" Stranded Cost calculation, which would increase Consumers' 2002 "net" Stranded Costs to approximately $103 million. Consumers cannot predict the recoverability of Stranded Costs, and therefore has not recorded any regulatory assets to recognize the future recovery of such costs.

The MPSC staff has scheduled a collaborative process to discuss Stranded Costs and related issues and to identify and make recommendations to the MPSC. Consumers is participating in this collaborative process.

Since 1997, Consumers has incurred significant electric utility restructuring implementation costs. The following table outlines the applications filed by Consumers with the MPSC and the status of recovery for these costs.

In Millions

Year Filed	Year Incurred	Requested	Pending	Allowed	Disallowed
1999	1997 & 1998	$ 20	$ -	$ 15	$ 5
2000	1999	30	-	25	5
2001	2000	25	-	20	5
2002	2001	8	8	Pending	Pending
2003	2002	2	2	Pending	Pending

The MPSC disallowed certain costs based upon a conclusion that these amounts did not represent costs incremental to costs already reflected in electric rates. In the orders received for the years 1997 through 2000, the MPSC also reserved the right to review again the total implementation costs depending upon the progress and success of the retail open access program, and ruled that due to the rate freeze imposed by the Customer Choice Act, it was premature to establish a cost recovery method for the allowable implementation costs. In addition to the amounts shown above, as of March 31, 2003, Consumers incurred and deferred as a regulatory asset, $2 million of additional implementation costs and has also recorded as a regulatory asset $14 million for the cost of money associated with total implementation costs. Consumers believes the implementation costs and the associated cost of money are fully recoverable in accordance with the Customer Choice Act. Cash recovery from customers will probably begin after the rate freeze or rate cap period has expired. As discussed below, Consumers has asked to include implementation costs through December 31, 2003 in the pending securitization case. If approved, the sale of Securitization bonds will allow for the recovery of these costs. Consumers cannot predict the amounts the MPSC will approve as allowable costs.

Consumers is also pursuing authorization at the FERC for MISO to reimburse Consumers for approximately $8 million in certain electric utility restructuring implementation costs related to its former participation in the development of the Alliance RTO, a portion of which has been expensed. However, Consumers cannot predict the amount the FERC will ultimately order to be reimbursed by the MISO.

Securitization: In March 2003, Consumers filed an application with the MPSC seeking approval to issue Securitization bonds in the amount of approximately $1.084 billion. If approved, this would allow the

recovery of costs and reduce interest rates associated with financing Clean Air Act expenditures, post-2000 Palisades expenditures, and retail open access implementation costs through December 31, 2003, and certain pension fund expenses, and expenses associated with the issuance of the bonds.

Rate Caps: The Customer Choice Act imposes certain limitations on electric rates that could result in Consumers being unable to collect from electric customers its full cost of conducting business. Some of these costs are beyond Consumers' control. In particular, if Consumers needs to purchase power supply from wholesale suppliers while retail rates are frozen or capped, the rate restrictions may make it impossible for Consumers to fully recover purchased power and associated transmission costs from its customers. As a result, Consumers may be unable to maintain its profit margins in its electric utility business during the rate freeze or rate cap periods. The rate freeze is in effect through December 31, 2003. The rate caps are in effect through at least December 31, 2004 for small commercial and industrial customers, and at least through December 31, 2005 for residential customers.

Industrial Contracts: In response to industry restructuring efforts, in 1995 and 1996, Consumers entered into multi-year electric supply contracts with certain large industrial customers to provide electricity at specially negotiated prices, usually at a discount from tariff prices. The MPSC approved these special contracts as part of its phased introduction to competition. Unless terminated or restructured, the majority of these contracts are in effect through 2005. As of March 31, 2003, outstanding contracts involve approximately 513 MW. Consumers cannot predict the ultimate financial impact of changes related to these power supply contracts, or whether additional contracts will be necessary or advisable. However, of the original special contracts that have terminated, contracts for 52 MW have gone to an alternative electric supplier and contracts for 129 MW have returned to bundled tariff rates.

Code of Conduct: In December 2000, as a result of the passage of the Customer Choice Act, the MPSC issued a new code of conduct that applies to electric utilities and alternative electric suppliers. The code of conduct seeks to prevent cross-subsidization, information sharing, and preferential treatment between a utility's regulated and unregulated services. The new code of conduct is broadly written, and as a result, could affect Consumers' retail gas business, the marketing of unregulated services and equipment to Michigan customers, and internal transfer pricing between Consumers' departments and affiliates. In October 2001, the new code of conduct was reaffirmed by the MPSC without substantial modification. Consumers appealed the MPSC orders related to the code of conduct and sought a stay of the orders until the appeal was complete; however, the request for a stay was denied. Consumers filed a compliance plan in accordance with the code of conduct. It also sought waivers to the code of conduct in order to continue utility activities that provide approximately $50 million in annual electric and gas revenues. In October 2002, the MPSC denied waivers for three programs that provided approximately $32 million in gas revenues in 2001, of which $30 million relates to the appliance service plan. The waivers denied included all waivers associated with the appliance service plan program that has been offered by Consumers for many years. Consumers filed a renewed motion for a stay of the effectiveness of the code of conduct and an appeal of the waiver denials with the Michigan Court of Appeals. On November 8, 2002, the Michigan Court of Appeals denied Consumers' request for a stay. Consumers filed an application for leave to appeal with the Michigan Supreme Court with respect to the Michigan Court of Appeals' November ruling denying the stay. In February 2003, the Michigan Supreme Court denied the application. In December 2002, Consumers filed a renewed request with the MPSC for a temporary waiver until April 2004 for the appliance service plan, which generated $33 million in gas revenues in 2002. In February 2003, the MPSC granted an extension of the temporary waiver until December 31, 2003. The full impact of the new code of conduct on Consumers' business will remain uncertain until the appellate courts issue definitive rulings. Recently, in an appeal involving affiliate pricing guidelines, the Michigan Court of Appeals struck the guidelines down because of a procedurally defective manner of enactment by the MPSC. A similar procedure was used by the MPSC in enacting the new code of conduct. Consumers is also exploring seeking legislative clarification of the scope of the code of conduct.

Energy Policy: Uncertainty exists regarding the enactment of a national comprehensive energy policy, specifically federal electric industry restructuring legislation. A variety of bills introduced in the United

States Congress in recent years aimed to change existing federal regulation of the industry. If the federal government enacts a comprehensive energy policy or electric restructuring legislation, then that legislation could potentially affect company operations and financial requirements.

Transmission: In 2002, Consumers sold its electric transmission system to MTH, a non-affiliated limited partnership whose general partner is a subsidiary of Trans-Elect, Inc.

As a result of the sale, Consumers anticipates its after-tax earnings will be decreased by $15 million in 2003, and decrease by approximately $14 million annually for the next three years due to a loss of revenue from wholesale and retail open access customers who will buy services directly from MTH and the loss of a return on the sold electric transmission system.

Under an agreement with MTH, and subject to certain additional RTO surcharges, transmission rates charged to Consumers are fixed by contract at current levels through December 31, 2005, and subject to FERC ratemaking thereafter. MTH has completed the capital program to expand the transmission system's capability to import electricity into Michigan, as required by the Customer Choice Act, and Consumers will continue to maintain the system under a five-year contract with MTH.

Consumers is a customer of AEP, holding 300 MW of long-term transmission service reservations through the AEP transmission system. Effective June 1, 2003, Consumers will have an additional 100 MW of long-term transmission, resulting in a total of 400 MW of long-term transmission for summer 2003, reserved through the AEP transmission system. AEP has indicated its intent, and has received preliminary FERC approval, to turn control of its transmission system over to the PJM RTO. This will require current AEP wholesale transmission customers to become members of, and resubmit reservation requests to, PJM. Due to legislation recently enacted in Virginia, which precludes Virginia utilities (including AEP) from joining an RTO until at least July 2004, as well as uncertainty associated with state approvals AEP is seeking from various state regulatory bodies, the timing of AEP's membership in PJM is currently in some doubt. Upon completion of the steps necessary for the integration of AEP into PJM, Consumers will complete the application process to join PJM as a transmission customer.

There are multiple proceedings and a proposed rulemaking pending before the FERC regarding transmission pricing mechanisms and standard market design for electric bulk power markets and transmission. The results of these proceedings and proposed rulemaking could significantly affect the trend of transmission costs and increase the delivered power costs to Consumers and the retail electric customers it serves. The specific financial impact on Consumers of such proceedings, rulemaking and trends are not currently quantifiable.

In addition, Consumers is evaluating whether or not there may be impacts on electric reliability associated with the outcomes of these various transmission related proceedings. Consumers cannot assure that all risks to reliability can be avoided.

Consumers cannot predict the impact of these electric industry-restructuring issues on its financial position, liquidity, or results of operations.

PERFORMANCE STANDARDS: In July 2001, the MPSC proposed electric distribution performance standards for Consumers and other Michigan electric distribution utilities. The proposal would establish standards related to restoration after an outage, safety, and customer relations. Failure to meet the standards would result in customer bill credits. Consumers submitted comments to the MPSC. In December 2001, the MPSC issued an order stating its intent to initiate a formal rulemaking proceeding to develop and adopt performance standards. In November 2002, the MPSC issued an order initiating the formal rulemaking proceeding. Consumers has filed comments on the proposed rules and will continue to participate in this process. Consumers cannot predict the nature of the proposed standards or the likely effect, if any, on Consumers.

For further information and material changes relating to the rate matters and restructuring of the electric utility industry, see Note 1, Corporate Structure and Summary of Significant Accounting Policies, and Note 4, Uncertainties, "Consumers' Electric Utility Rate Matters - Electric Restructuring" and "Consumers' Electric Utility Rate Matters - Electric Proceedings."

UNCERTAINTIES: Several electric business trends or uncertainties may affect Consumers' financial results and condition. These trends or uncertainties have, or Consumers reasonably expects could have, a material impact on net sales, revenues, or income from continuing electric operations. Such trends and uncertainties include: 1) pending litigation and government investigations; 2) the need to make additional capital expenditures and increase operating expenses for Clean Air Act compliance; 3) environmental liabilities arising from various federal, state and local environmental laws and regulations, including potential liability or expenses relating to the Michigan Natural Resources and Environmental Protection Acts and Superfund; 4) uncertainties relating to the storage and ultimate disposal of spent nuclear fuel; 5) electric industry restructuring issues, including those described above; 6) Consumers' ability to meet peak electric demand requirements at a reasonable cost, without market disruption, and successfully implement initiatives to reduce exposure to purchased power price increases; 7) the recovery of electric restructuring implementation costs; 8) Consumers new status as an electric transmission customer and not as an electric transmission owner/operator; 9) sufficient reserves for OATT rate refunds; 10) the effects of derivative accounting and potential earnings volatility; 11) increased costs for safety and homeland security initiatives that are not recoverable on a timely basis from customers; and 12) potentially rising pension costs due to market losses (as discussed above in Accounting for Pension and OPEB). For further information about these trends or uncertainties, see Note 4, Uncertainties.

CONSUMERS' GAS UTILITY BUSINESS OUTLOOK

GROWTH: Over the next five years, Consumers expects gas deliveries, including gas full service and customer choice deliveries (excluding transportation to the MCV Facility and off-system deliveries), to grow at an average rate of less than one percent per year based primarily on a steadily growing customer base. Actual gas deliveries in future periods may be affected by abnormal weather, use of gas by independent power producers, changes in competitive and economic conditions, and the level of natural gas consumption per customer.

2001 GAS RATE CASE: In June 2001, Consumers filed an application with the MPSC seeking a distribution service rate increase. On November 7, 2002, the MPSC issued a final order approving a $56 million annual distribution service rate increase, which includes the $15 million interim increase, with an 11.4 percent authorized return on equity, for service effective November 8, 2002. As part of this order, the MPSC approved Consumers' proposal to absorb the assets and liabilities of Michigan Gas Storage Company into Consumers' rate base and rates. This has occurred through a statutory merger of Michigan Gas Storage Company into Consumers and this is not expected to have an impact on Consumers' consolidated financial statements.

2003 GAS RATE CASE: On March 14, 2003, Consumers filed an application with the MPSC seeking a $156 million increase in its gas delivery and transportation rates, which includes a 13.5 percent authorized return on equity, based on a 2004 test year. If approved, the request would add about $6.40 per month, or about 9 percent, to the typical residential customer's average monthly bill. Contemporaneously with this filing, Consumers has requested interim rate relief in the same amount.

In September 2002, the FERC issued an order rejecting a filing by Consumers to assess certain rates for non-physical gas title tracking services offered by Consumers. Despite Consumers' arguments to the contrary, the FERC asserted jurisdiction over such activities and allowed Consumers to refile and justify a title transfer fee not based on volumes as Consumers proposed. Because the order was issued six years after Consumers made its original filing initiating the proceeding, over $3 million in non-title transfer tracking fees had been collected. No refunds have been ordered, and Consumers sought rehearing of the September order. If refunds were ordered they may include interest which would increase the refund liability to more than the $3 million collected. In December 2002, Consumers established a $3.6 million reserve related to this matter. Consumers is unable to say with certainty what the final outcome of this proceeding might be.

ENERGY-RELATED SERVICES: Consumers offers a variety of energy-related services to retail customers that focus on appliance maintenance, home safety, commodity choice, and assistance to customers purchasing heating, ventilation and air conditioning equipment. Consumers continues to look for additional growth opportunities in providing energy-related services to its customers. The ability to offer all or some of these services and other utility related revenue-generating services, which provide approximately $36 million in annual gas revenues, may be restricted by the new code of conduct issued by the MPSC, as discussed above in Consumers' Electric Utility Business Outlook, "Competition and Regulatory Restructuring - Code of Conduct."

UNCERTAINTIES: Several gas business trends or uncertainties may affect Consumers' financial results and conditions. These trends or uncertainties have, or Consumers reasonably expects could have, a material impact on net sales, revenues, or income from continuing gas operations. Such trends and uncertainties include: 1) pending litigation and government investigations; 2) potential environmental costs at a number of sites, including sites formerly housing manufactured gas plant facilities; 3) future gas industry restructuring initiatives; 4) any initiatives undertaken to protect customers against gas price increases; 5) an inadequate regulatory response to applications for requested rate increases; 6) market and regulatory responses to increases in gas costs, including a reduced average use per residential customer; 7) increased costs for pipeline integrity and safety and homeland security initiatives that are not recoverable on a timely basis from customers; and 8) potentially rising pension costs due to market losses (as discussed above in Accounting for Pension and OPEB). For further information about these uncertainties, see Note 4, Uncertainties.

CONSUMERS' OTHER OUTLOOK

SECURITY COSTS: Since the September 11, 2001 terrorist attacks in the United States, Consumers has increased security at all critical facilities and over its critical infrastructure, and will continue to evaluate security on an ongoing basis. Consumers may be required to comply with federal and state regulatory security measures promulgated in the future. Through December 31, 2002, Consumers has incurred approximately $4 million in incremental security costs, including operating, capital, and decommissioning and removal costs. Consumers estimates it may incur additional incremental security costs in 2003 of approximately $6 million. Consumers will attempt to seek recovery of these costs from its customers. In December 2002, the Michigan legislature passed, and the governor signed, a bill that would allow Consumers to seek recovery of additional nuclear electric division security costs incurred during the rate freeze and cap periods imposed by the Customer Choice Act. Of the $4 million in incremental security costs incurred through December 31, 2002, approximately $3 million related to nuclear security costs. Of the estimated $6 million for incremental security costs expected to be incurred in 2003, $4 million relates to nuclear security costs. On February 5, 2003, the MPSC adopted filing requirements for the recovery of enhanced security costs.

ENTERPRISES OUTLOOK

CMS Energy's IPP subsidiary plans to complete the restructuring of its operations by narrowing the scope of its existing operations and commitments to two regions: North America and the Middle East/North Africa. In addition, its plans include selling designated assets and investments that are under-performing, non-region

focused and non-synergistic with other CMS Energy business units. The independent power production business unit will continue to optimize the operations and management of its remaining portfolio of assets in order to contribute to CMS Energy's earnings and to maintain its reputation for solid performance in the construction and operation of power plants.

CMS MST has continued to streamline its portfolio in order to reduce its business risk and outstanding credit guarantees. In January 2003, CMS MST closed on the sale of a majority of the natural gas trading book inventory to Sempra Energy Trading and in March 2003, CMS MST sold a majority of its wholesale power trading portfolio to a unit of Constellation Energy Group, Inc. Also during the first quarter of 2003, CMS MST sold its 50 percent joint venture ownership interest in Texon, its 50 percent interest in Premstar and the Tulsa retail contracts. The company expects the sale of its energy conservation unit, CMS Viron, to be completed in the second quarter of 2003, however, management cannot make any assurances as to when this asset sale will actually occur. Upon completion of these sales, CMS Energy will exit from the energy services and trading business and future activities will be centered around meeting contractual obligations, as well as purchasing fuel for and marketing the merchant power from DIG, Michigan Power, LLC and other IPPs as their current power purchase agreements expire.

CMS Gas Transmission also plans to narrow its scope of existing operations and commitments. In doing so, CMS Energy is actively pursuing the sale, liquidation, or other disposition of certain of its assets and investments, but management cannot predict when, nor make any assurances that, these asset and investment sales will occur.

UNCERTAINTIES: The results of operations and financial position of CMS Energy's diversified energy businesses may be affected by a number of trends or uncertainties that have, or CMS Energy reasonably expects could have, a material impact on income from continuing operations, cash flows and balance sheet and credit improvement. Such trends and uncertainties include: 1) the ability to sell or optimize assets or businesses in accordance with its financial plan; 2) the international monetary fluctuations, particularly in Argentina, as well as Brazil and Australia; 3) the changes in foreign laws, governmental and regulatory policies that could significantly reduce the tariffs charged and revenues recognized by certain foreign investments; 4) the imposition of stamp taxes on certain South American contracts that could significantly increase project expenses; 5) the impact of any future rate cases or FERC actions or orders on regulated businesses and the effects of changing regulatory and accounting related matters resulting from current events; and 6) the impact of ratings downgrades on CMS Energy's liquidity, costs of operating, and cost of capital.

OTHER OUTLOOK

SEC AND OTHER INVESTIGATIONS: As a result of round-trip trading transactions at CMS MST, CMS Energy's Board of Directors established a Special Committee of independent directors to investigate matters surrounding the transactions and retained outside counsel to assist in the investigation. The Special Committee completed its investigation and reported its findings to the Board of Directors in October 2002. The Special Committee concluded, based on an extensive investigation, that the round-trip trades were undertaken to raise CMS MST's profile as an energy marketer with the goal of enhancing its ability to promote its services to new customers. The Special Committee found no effort to manipulate the price of CMS Energy Common Stock or affect energy prices. The Special Committee also made recommendations designed to prevent any reoccurrence of this practice, most of which have already been implemented. Previously, CMS Energy terminated its speculative trading business and revised its risk management policy. The Board of Directors adopted, and CMS Energy has begun implementing, the remaining recommendations of the Special Committee.

CMS Energy is cooperating with other investigations concerning round-trip trading, including an

investigation by the SEC regarding round-trip trades and CMS Energy's financial statements, accounting policies and controls, and investigations by the United States Department of Justice, the Commodity Futures Trading Commission and the FERC. The FERC issued an order on April 30, 2003 directing eight companies, including CMS MST, to submit written demonstrations within forty-five days that they have taken certain specified remedial measures with respect to the reporting of natural gas trading data to publications that compile and publish price indices. CMS MST intends to make a written submission within the specified time period demonstrating compliance with the FERC's directives. Other than the FERC investigation, CMS Energy is unable to predict the outcome of these matters, and what effect, if any, these investigations will have on its business.

SECURITIES CLASS ACTION LAWSUITS: Beginning on May 17, 2002, a number of securities class action complaints were filed against CMS Energy, Consumers, and certain officers and directors of CMS Energy and its affiliates. The complaints were filed as purported class actions in the United States District Court for the Eastern District of Michigan. The cases were consolidated into a single lawsuit and an amended and consolidated class action complaint was filed on May 1, 2003. The defendants named in the amended and consolidated class action complaint consist of CMS Energy, Consumers, certain officers and directors of CMS Energy and its affiliates, and certain underwriters of CMS Energy securities. The purported class period is from May 1, 2000 through and including March 31, 2003. The amended and consolidated class action complaint seeks unspecified damages based on allegations that the defendants violated United States securities laws and regulations by making allegedly false and misleading statements about CMS Energy's business and financial condition. The companies intend to vigorously defend against this action but cannot predict the outcome of this litigation.

DEMAND FOR ACTIONS AGAINST OFFICERS AND DIRECTORS: The Board of Directors received a demand, on behalf of a shareholder of CMS Energy Common Stock, that it commence civil actions (i) to remedy alleged breaches of fiduciary duties by CMS Energy officers and directors in connection with round-trip trading at CMS Energy, and (ii) to recover damages sustained by CMS Energy as a result of alleged insider trades alleged to have been made by certain current and former officers of CMS Energy and its subsidiaries. If the Board elects not to commence such actions, the shareholder has stated that he will initiate a derivative suit, bringing such claims on behalf of CMS Energy. CMS Energy has elected two new members to its Board of Directors who will serve as an independent litigation committee to determine whether it is in the best interest of CMS Energy to bring the action demanded by the shareholder. Counsel for the shareholder has agreed to extend the time for CMS Energy to respond to the demand. CMS Energy cannot predict the outcome of this litigation.

ERISA CLAIMS: CMS Energy is a named defendant, along with Consumers, CMS MST and certain named and unnamed officers and directors, in two lawsuits brought as purported class actions on behalf of participants and beneficiaries of the 401(k) Plan. The two cases, filed in July 2002 in the United States District Court for the Eastern District of Michigan, were consolidated by the trial judge and an amended and consolidated complaint has been filed. Plaintiffs allege breaches of fiduciary duties under ERISA and seek restitution on behalf of the Plan with respect to a decline in value of the shares of CMS Energy Common Stock held in the Plan. Plaintiffs also seek other equitable relief and legal fees. These cases will be vigorously defended. CMS Energy cannot predict the outcome of this litigation.

GAS INDEX PRICING REPORTING: CMS Energy has notified appropriate regulatory and governmental agencies that some employees at CMS MST and CMS Field Services appeared to have provided inaccurate information regarding natural gas trades to various energy industry publications which compile and report index prices. CMS Energy is cooperating with investigations by the Commodity Futures Trading Commission, Department of Justice and FERC regarding this matter. CMS Energy is unable to predict the outcome of these matters and what effect, if any, these investigations will have on its business.

OTHER MATTERS

DISCLOSURE AND INTERNAL CONTROLS

CMS Energy's CEO and CFO are responsible for establishing and maintaining CMS Energy's disclosure controls and procedures. Management, under the direction of CMS Energy's principal executive and financial officers, has evaluated the effectiveness of CMS Energy's disclosure controls and procedures within the past ninety days prior to this filing. Based on this evaluation, CMS Energy's CEO and CFO have concluded that disclosure controls and procedures are effective to ensure that material information was presented to them and properly disclosed. There have been no significant changes in CMS Energy's internal controls or in factors, other than as discussed below, that could significantly affect internal controls subsequent to such evaluation.

CONTROL WEAKNESSES AT CMS MST

In late 2001 and during 2002, the Company identified a number of deficiencies in MST's systems of internal accounting controls. The internal control deficiencies related to, among other things, a lack of account reconciliations, unidentified differences between subsidiary ledgers and the general ledger, and procedures and processes surrounding the Company's accounting for energy trading contracts, including mark-to-market accounting.

Senior management, the Audit Committee of the Board of Directors, the Board of Directors, and the independent auditors were notified of these deficiencies as they were discovered, and the Company commenced a plan of remediation that included the replacement of certain key personnel and the deployment of additional internal and external accounting personnel to CMS MST. Certain aspects of the remediation plan, which includes the implementation of improvements and changes to CMS MST's internal accounting controls, were postponed to enable the Company to prepare restated financial statements for 2000 and 2001. While a number of these control improvements and changes were implemented in late 2002, the most important ones occurred in the first quarter of 2003.

The implementation of certain elements of its remediation plan enabled the Company to prepare reliable restated financial statements for CMS MST for December 31, 2000, 2001 and 2002, as well as for the quarterly periods of 2002. Management is in the process of preparing restated quarterly financial statements for 2001.

Management believes that the improvements to its system of internal accounting controls implemented in late 2002 and the first quarter of 2003 are appropriate and responsive to the internal control deficiencies that were identified. Management will continue to monitor the operation of the improved internal controls to assess their sustained effectiveness through 2003.

CASH MANAGEMENT

In August 2002, FERC issued a NOPR concerning the management of funds by certain FERC-regulated companies. The proposed rule could establish limits on the amount of funds that may be swept from a regulated subsidiary to a non-regulated parent under cash management programs. The proposed rule would require written cash management arrangements that would specify the duties and restrictions of the participants, the methods of calculating interest and allocating interest income and expenses, and the restrictions on deposits or borrowings by money pool members. These cash management agreements may also require participants to provide documentation of certain transactions. In the NOPR, FERC proposed that to participate in a cash management or money pool arrangement, FERC-regulated entities would be required

to maintain a minimum proprietary capital balance (stockholder's equity) of 30 percent and both the FERC-regulated entity and its parent would be required to maintain investment grade credit ratings. The FERC recently met, but no action was taken on cash management issues related to the NOPR.

NEW ACCOUNTING STANDARDS

FASB INTERPRETATION NO. 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES: Issued by the FASB in January 2003, the interpretation expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. The consolidation requirements of the interpretation apply immediately to variable interest entities created after January 31, 2003. For CMS Energy, the consolidation requirements apply to pre-existing entities beginning July 1, 2003. CMS Energy will be required to consolidate any entities that meet the requirements of the interpretation. CMS Energy is in the process of studying this interpretation, and has yet to determine the effects, if any, on its consolidated financial statements.

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED	
MARCH 31	2003	2002
	In Millions, Except Per Share Amounts	
OPERATING REVENUE		
Electric utility	$ 650	$ 608
Gas utility	789	616
Enterprises	553	1,038
Other	-	1
	1,992	2,263
OPERATING EXPENSES		
Operation		
Fuel for electric generation	94	86
Purchased and interchange power	249	466
Purchased power - related parties	132	140
Cost of gas sold	837	890
Other	194	172
	1,506	1,754
Maintenance	57	55
Depreciation, depletion and amortization	126	122
General taxes	64	57
	1,753	1,988
OPERATING INCOME (LOSS)		
Electric utility	116	115
Gas utility	103	64
Enterprises	23	85
Other	(3)	11
	239	275
OTHER INCOME (DEDUCTIONS)		
Accretion expense	(7)	(8)
Gain (loss) on asset sales, net	(5)	22
Other, net	10	-
	(2)	14
EARNINGS BEFORE INTEREST AND TAXES	237	289
FIXED CHARGES		
Interest on long-term debt	97	95
Other interest	6	11
Capitalized interest	(2)	(3)
Preferred dividends	-	-
Preferred securities distributions	18	25
	119	128
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	118	161
INCOME TAXES	41	68
MINORITY INTERESTS	1	-
INCOME FROM CONTINUING OPERATIONS	76	93
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF $15 TAX EXPENSE IN 2003 AND $33 TAX BENEFIT IN 2002	27	(51)
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING	103	42
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING, NET OF $13 TAX BENEFIT IN 2003:		
ENERGY TRADING CONTRACTS, EITF 02-03 (NOTE 10)	(23)	-
ASSET RETIREMENT OBLIGATIONS, SFAS NO. 143 (NOTE 10)	(1)	-
	(24)	-
NET INCOME	$ 79	$ 42

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

MARCH 31	THREE MONTHS ENDED 2003	2002
	In Millions, Except Per Share Amounts	
CMS ENERGY		
NET INCOME		
Net Income Available to Common Stock	$ 79	$ 42
BASIC EARNINGS PER AVERAGE COMMON SHARE		
Income from Continuing Operations	$ 0.53	$ 0.70
Income (Loss) from Discontinued Operations	0.18	(0.38)
Loss from Cumulative Effect of Change in Accounting	(0.16)	-
Net Income Attributable to Common Stock	$ 0.55	$ 0.32
DILUTED EARNINGS PER AVERAGE COMMON SHARE		
Income from Continuing Operations	$ 0.49	$ 0.70
Income (Loss) from Discontinued Operations	0.16	(0.38)
Loss from Cumulative Effect of Change in Accounting	(0.14)	-
Net Income Attributable to Common Stock	$ 0.51	$ 0.32
DIVIDENDS DECLARED PER COMMON SHARE	$ -	$ 0.365

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED	
MARCH 31	2003	2002
		In Millions
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 79	$ 42
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization (includes nuclear decommissioning of $2 and $2, respectively)	126	122
Gain on disposal of discontinued operations	(1)	-
Capital lease and debt discount amortization	2	4
Deferred income taxes and investment tax credit	27	(245)
Accretion expense	7	8
Undistributed earnings from related parties	(31)	(36)
(Gain) loss on the sale of assets	5	(22)
Cumulative effect of accounting changes	24	-
Changes in other assets and liabilities:		
Decrease (increase) in accounts receivable and accrued revenues	(122)	36
Decrease in inventories	241	185
Increase (decrease) in accounts payable and accrued expenses	(54)	84
Changes in other assets and liabilities	97	69
Net cash provided by operating activities	400	247
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (excludes assets placed under capital lease)	(156)	(156)
Investments in partnerships and unconsolidated subsidiaries	-	(16)
Cost to retire property, net	(17)	(20)
Investment in Electric Restructuring Implementation Plan	(2)	(3)
Investments in nuclear decommissioning trust funds	(2)	(2)
Proceeds from nuclear decommissioning trust funds	6	8
Proceeds from sale of assets	97	878
Other investing	21	(42)
Net cash provided by (used in) investing activities	(53)	647
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes, bonds, and other long-term debt	326	311
Issuance of common stock	-	42
Retirement of bonds and other long-term debt	(170)	(912)
Retirement of trust preferred securities	-	(30)
Payment of common stock dividends	-	(49)
Decrease in notes payable, net	(201)	(249)
Payment of capital lease obligations	(3)	(3)
Other financing	(2)	(1)
Net cash used in financing activities	(50)	(891)
EFFECT OF EXCHANGE RATES ON CASH	1	(1)
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	298	2
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	377	127
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 675	$ 129

OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES WERE:

CASH TRANSACTIONS		
Interest paid (net of amounts capitalized)	$ 119	$ 94
Income taxes paid (net of refunds)	-	(42)
Pension and OPEB cash contribution	18	61
NON-CASH TRANSACTIONS		
Other assets placed under capital leases	$ 8	$ 17

All highly liquid investments with an original maturity of three months or less are considered cash equivalents.

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CMS ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

ASSETS

	MARCH 31 2003 (UNAUDITED)	DECEMBER 31 2002	MARCH 31 2002 (UNAUDITED)
			In Millions
PLANT AND PROPERTY (AT COST)			
Electric utility	$ 7,356	$ 7,523	$ 7,733
Gas utility	2,787	2,719	2,625
Enterprises	527	508	1,172
Other	42	45	61
	10,712	10,795	11,591
Less accumulated depreciation, depletion and amortization	5,490	6,110	6,259
	5,222	4,685	5,332
Construction work-in-progress	488	549	580
	5,710	5,234	5,912
INVESTMENTS			
Enterprises	781	753	1,172
Midland Cogeneration Venture Limited Partnership	405	388	316
First Midland Limited Partnership	259	255	257
Other	2	2	(4)
	1,447	1,398	1,741
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	675	377	129
Accounts receivable, notes receivable and accrued revenue, less allowances of $7, $8 and $5, respectively	365	322	275
Accounts receivable - Marketing, services and trading, less allowances of $9, $8 and $10, respectively	305	248	276
Accounts receivable and notes receivable - related parties	180	187	115
Inventories at average cost			
Gas in underground storage	258	491	407
Materials and supplies	93	89	92
Generating plant fuel stock	26	37	50
Assets held for sale	355	644	385
Price risk management assets	95	115	366
Prepayments and other	239	238	168
	2,591	2,748	2,263
NON-CURRENT ASSETS			
Regulatory Assets			
Securitized costs	678	689	714
Postretirement benefits	180	185	203
Abandoned Midland Project	11	11	11
Other	233	168	171
Assets held for sale	2,042	2,081	2,697
Price risk management assets	172	135	434
Nuclear decommissioning trust funds	529	536	576
Notes receivable - related parties	148	160	213
Notes receivable	126	126	126
Other	428	444	543
	4,547	4,535	5,688
TOTAL ASSETS	$ 14,295	$ 13,915	$ 15,604

STOCKHOLDERS' INVESTMENT AND LIABILITIES

	MARCH 31 2003 (UNAUDITED)	DECEMBER 31 2002	MARCH 31 2002 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholders' equity			
Common stock, authorized 250.0 shares; outstanding 144.1 shares, 144.1 shares and 134.2 shares, respectively	$ 1	$ 1	$ 1
Other paid-in-capital	3,605	3,605	3,299
Other comprehensive loss	(737)	(753)	(263)
Retained deficit	(1,641)	(1,720)	(957)
	1,228	1,133	2,080
Preferred stock of subsidiary	44	44	44
Company-obligated convertible Trust Preferred Securities of subsidiaries (a)	393	393	694
Company-obligated mandatorily redeemable preferred securities of Consumer's subsidiaries (a)	490	490	490
Long-term debt	5,212	5,356	5,475
Non-current portion of capital leases	121	116	84
	7,488	7,532	8,867
MINORITY INTERESTS	22	21	24
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	927	640	736
Notes payable	253	458	164
Accounts payable	350	363	296
Accounts payable - Marketing, services and trading	131	119	211
Accrued interest	108	131	142
Accrued taxes	283	291	111
Accounts payable - related parties	55	53	59
Liabilities held for sale	299	465	603
Price risk management liabilities	95	96	356
Current portion of purchase power contracts	26	26	24
Current portion of gas supply contract obligations	26	25	23
Deferred income taxes	23	15	15
Other	193	216	245
	2,769	2,898	2,985
NON-CURRENT LIABILITIES			
Postretirement benefits	732	725	298
Deferred income taxes	377	414	609
Deferred investment tax credit	89	91	100
Regulatory liabilities for income taxes, net	311	297	276
Other regulatory liabilities	152	4	-
Asset retirement obligation	365	-	-
Liabilities held for sale	1,298	1,243	1,475
Price risk management liabilities	165	135	341
Gas supply contract obligations	226	241	254
Power purchase agreement - MCV Partnership	21	27	47
Other	280	287	328
	4,016	3,464	3,728
COMMITMENTS AND CONTINGENCIES (Notes 1, 4 and 5)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$ 14,295	$ 13,915	$ 15,604

(a) For further discussion, see Note 5 of the Condensed Notes to Consolidated Financial Statements.

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CMS ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
(UNAUDITED)

MARCH 31	THREE MONTHS ENDED 2003	2002
		In Millions
COMMON STOCK		
At beginning and end of period	$ 1	$ 1
OTHER PAID-IN CAPITAL		
At beginning of period	3,605	3,257
Common stock repurchased	-	-
Common stock reacquired	-	-
Common stock issued	-	42
At end of period	3,605	3,299
OTHER COMPREHENSIVE INCOME (LOSS)		
Minimum Pension Liability		
At beginning of period	(241)	-
Unrealized gain (loss) on investments (a)	-	-
At end of period	(241)	-
Investments		
At beginning of period	2	(5)
Unrealized gain (loss) on investments (a)	-	-
At end of period	2	(5)
Derivative Instruments (b)		
At beginning of period	(56)	(31)
Unrealized gain (loss) on derivative instruments (a)	8	12
Reclassification adjustments included in consolidated net income (a)	(5)	2
At end of period	(53)	(17)
FOREIGN CURRENCY TRANSLATION		
At beginning of period	(458)	(233)
Change in foreign currency translation (a)	13	(8)
At end of period	(445)	(241)
RETAINED EARNINGS (DEFICIT)		
At beginning of period	(1,720)	(951)
Consolidated net income (a)	79	42
Common stock dividends declared	-	(48)
At end of period	(1,641)	(957)
TOTAL COMMON STOCKHOLDERS' EQUITY	$ 1,228	$ 2,080

(a) Disclosure of Comprehensive Income (Loss):		
Other Comprehensive Income		
Minimum Pension Liability		
Minimum pension liability adjustments, net of tax of $- and $-, respectively	$ -	$ -
Derivative Instruments		
Unrealized gain (loss) on derivative instruments, net of tax of $(5) and $(3), respectively	8	12
Reclassification adjustments included in net income, net of tax of $3 and $(1), respectively	(5)	2
Foreign currency translation, net	13	(8)
Net income	79	42
Total Comprehensive Income	$ 95	$ 48

(b) Included in these amounts is CMS Energy's proportionate share of the effects of derivative accounting related to its equity investment in the MCV Partnership and Taweelah as follows:		
MCV Partnership:		
At the beginning of the period	$ 8	$ (8)
Unrealized gain (loss) on derivative instruments	7	5
Reclassification adjustments included in net income	(4)	2

At the end of the period	$ 11	$ (1)
Taweelah:		
At the beginning of the period	$ (32)	$ -
Unrealized gain (loss) on derivative instruments	-	-
At the end of the period	$ (32)	$ -

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CMS ENERGY CORPORATION
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

These interim Consolidated Financial Statements have been prepared by CMS Energy in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. As such, certain information and footnote disclosures normally included in full year financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. Certain prior year amounts have been reclassified to conform to the presentation in the current year. In management's opinion, the unaudited information contained in this report reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented. The Condensed Notes to Consolidated Financial Statements and the related Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in CMS Energy's Form 10-K for the year ended December 31, 2002, which includes the Reports of Independent Auditors. Due to the seasonal nature of CMS Energy's operations, the results as presented for this interim period are not necessarily indicative of results to be achieved for the fiscal year.

1: CORPORATE STRUCTURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE STRUCTURE: CMS Energy is the parent holding company of Consumers and Enterprises. Consumers is a combination electric and gas utility company serving Michigan's Lower Peninsula. Enterprises, through subsidiaries, is engaged in domestic and international diversified energy businesses including: natural gas transmission, storage and processing; independent power production; and energy marketing, services and trading.

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of CMS Energy, Consumers and Enterprises and their majority-owned subsidiaries. Investments in affiliated companies where CMS Energy has the ability to exercise significant influence, but not control are accounted for using the equity method. Intercompany transactions and balances have been eliminated.

USE OF ESTIMATES: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The principles in SFAS No. 5 guide the recording of estimated liabilities for contingencies within the financial statements. SFAS No. 5 requires a company to record estimated liabilities in the financial statements when it is probable that a loss will be paid in the future as a result of a current event, and when an amount can be reasonably estimated. CMS Energy has used this accounting principle to record estimated liabilities as discussed in Note 4, Uncertainties.

REVENUE RECOGNITION POLICY: Revenues from deliveries of electricity and the transportation and storage of natural gas are recognized as services are provided. Revenues on sales of marketed electricity, natural gas, and other energy products, as well as natural gas and LNGs, are recognized at delivery. Revenues on sales of oil and natural gas produced are recognized when production occurs, a sale is completed, and the risk of loss transfers to a third-party purchaser. Mark-to-market changes in the fair value of energy trading contracts that qualify as derivatives are recognized as revenues in the periods in which the changes occur.

CAPITALIZED INTEREST: SFAS No. 34 requires capitalization of interest on certain qualifying assets that are undergoing activities to prepare them for their intended use. SFAS No. 34 limits the capitalization of interest for the period to the actual interest cost that is incurred and prohibits imputing interest costs on any equity funds. The nonregulated portions of CMS Energy are subject to these rules. The regulated businesses of CMS Energy are permitted to capitalize an allowance for funds used during construction on regulated construction projects and to include such amounts in plant in service.

EARNINGS PER SHARE: Basic and diluted earnings per share are based on the weighted average number of shares of common stock and potential common stock outstanding during the period. Potential common stock, for purposes of determining diluted earnings per share, includes the effects of dilutive stock options and convertible securities. The effect of such potential common stock is computed using the treasury stock method or the if-converted method, as applicable. For earnings per share computation, see Note 6.

FINANCIAL INSTRUMENTS: CMS Energy accounts for its debt and equity investment securities in accordance with SFAS No. 115. As such, debt and equity securities can be classified into one of three categories: held-to-maturity, trading, or available-for-sale securities. CMS Energy's investments in equity securities are classified as available-for-sale securities. They are reported at fair value, with any unrealized gains or losses from changes in fair value usually reported in equity as part of other comprehensive income and excluded from earnings unless such changes in fair value are other than temporary. Unrealized gains or losses from changes in the fair value of Consumers' nuclear decommissioning investments are reported as regulatory liabilities. The fair value of these investments is determined from quoted market prices.

FOREIGN CURRENCY TRANSLATION: CMS Energy's subsidiaries and affiliates whose functional currency is other than the U.S. dollar translate their assets and liabilities into U.S. dollars at the current exchange rates in effect at the end of the fiscal period. The revenue and expense accounts of such subsidiaries and affiliates are translated into U.S. dollars at the average exchange rates that prevailed during the period. The gains or losses that result from this process, and gains and losses on intercompany foreign currency transactions that are long-term in nature, and which CMS Energy does not intend to settle in the foreseeable future, are shown in the stockholders' equity section of the balance sheet. For subsidiaries operating in highly inflationary economies, the U.S. dollar is considered to be the functional currency, and transaction gains and losses are included in determining net income. Gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency, except those that are hedged, are included in determining net income. For the three months ended March 31, 2003 and 2002, the change in the foreign currency translation adjustment increased equity by $13 million and decreased equity by $8 million, respectively, net of after-tax hedging proceeds.

IMPAIRMENT OF INVESTMENTS AND LONG-LIVED ASSETS: In accordance with APB Opinion No. 18 and SFAS No. 144, CMS Energy evaluates the potential impairment of its investments in projects and other long-lived assets, other than goodwill, based on various analyses, including the projection of undiscounted cash flows, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the carrying amount of the investment or asset exceeds the amount of the expected future undiscounted cash flows, an impairment loss is recognized and the investment or asset is written down to its estimated fair value.

PLANT AND PROPERTY: Plant and Property, including improvements, is stated at cost. Construction-related labor and material costs, as well as indirect construction costs such as engineering and interest costs, are capitalized. Property repairs, minor property replacements and maintenance are charged to maintenance expense as incurred. When depreciable plant and property maintained by CMS Energy's regulated operations are retired or sold, the original cost plus cost of removal (net of salvage credits), is charged to accumulated depreciation.

STOCK-BASED COMPENSATION: In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure. This standard provides for alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, the statement amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of the statement are effective as of December 31, 2002 and interim disclosure provisions are effective for interim financial reports starting in 2003. In the fourth quarter of 2002, CMS Energy adopted the fair value method of accounting for stock-based compensation under SFAS No. 123 as amended by SFAS No. 148, applying the prospective method. If compensation cost for stock options had been determined in accordance with SFAS No. 123 for the three months ended March 31, 2002, consolidated net income as reported and pro forma would have been as follows:

	In Millions, Except Per Share Amounts		
Three Months Ended March 31	2002	Basic	Diluted
Net income, as reported	$ 42	$0.32	$0.32
Add: Stock-based employee compensation expense included In reported net income, net of taxes	-	-	-
Deduct: Total stock-based compensation expense determined Under fair value based method for all awards, net of tax	(2)	(0.02)	(0.01)
Pro forma net income	$ 40	$0.30	$0.31

UTILITY REGULATION: Consumers accounts for the effects of regulation based on the regulated utility accounting standard SFAS No. 71. As a result, the actions of regulators affect when Consumers recognizes revenues, expenses, assets and liabilities.

In March 1999, Consumers received MPSC electric restructuring orders, which, among other things, identified the terms and timing for implementing electric restructuring in Michigan. Consistent with these orders and EITF No. 97-4, Consumers discontinued the application of SFAS No. 71 for the energy supply portion of its business because Consumers expected to implement retail open access at competitive market based rates for its electric customers. Discontinuation of SFAS No. 71 for the energy supply portion of Consumers' business resulted in Consumers reducing the carrying value of its Palisades plant-related assets, in 1999, by approximately $535 million and establishing a regulatory asset for a corresponding amount. As of March 31, 2003, Consumers had a net investment in energy supply facilities of $1.554 billion included in electric plant and property.

Since 1999, there has been a significant legislative and regulatory change in Michigan that has resulted in: 1) electric supply customers of utilities remaining on cost-based rates and 2) utilities being given the ability to recover Stranded Costs associated with electric restructuring, from customers who choose an alternative electric supplier. During 2002, Consumers re-evaluated the criteria used to determine if an entity or a segment of an entity meets the requirements to apply regulated utility accounting, and determined that the energy supply portion of its business could meet the criteria if certain regulatory events occurred. In December 2002, Consumers received a MPSC Stranded Cost order that allowed Consumers to re-apply regulatory accounting standard SFAS No. 71 to the energy supply portion of its business. Re-application of SFAS No. 71 had no effect on the prior discontinuation accounting, but will allow Consumers to apply regulatory accounting treatment to the energy supply portion of its business beginning in the fourth quarter of

2002, including regulatory accounting treatment of costs required to be recognized in accordance with SFAS No. 143. See Note 4, Uncertainties, "Consumers' Electric Utility Rate Matters - Electric Restructuring."

SFAS No. 144 imposes strict criteria for retention of regulatory-created assets by requiring that such assets be probable of future recovery at each balance sheet date. Management believes these assets are probable of future recovery.

NEW ACCOUNTING STANDARDS:

FASB INTERPRETATION NO. 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES: Issued by the FASB in January 2003, the interpretation expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. The consolidation requirements of the interpretation apply immediately to variable interest entities created after January 31, 2003. For CMS Energy, the consolidation requirements apply to pre-existing entities beginning July 1, 2003. Certain of the disclosure requirements apply to all financial statements initially issued after January 31, 2003. CMS Energy will be required to consolidate any entities that meet the requirements of the interpretation. CMS Energy is in the process of studying this interpretation, and has yet to determine the effects, if any, on its consolidated financial statements.

2. ASSET SALES AND RESTRUCTURING

CMS Energy continues to implement its financial improvement plan and on-going asset sales program that was initiated in late 2001. The asset sales program encompasses the sale of all non-strategic and under-performing assets. The impacts of these sales are included in "Gain (loss) on asset sales, net" in the Consolidated Statements of Income.

ASSET SALES

In January 2003, CMS Energy closed on the sale of a substantial portion of CMS MST's wholesale natural gas trading contracts and inventory to Sempra Energy Trading, the wholesale commodity trading unit of Sempra Energy and received $17 million of cash proceeds. In February 2003, Panhandle sold its one-third interest in Centennial Pipeline, LLC for $40 million to Centennial's two other partners, Marathon Ashland Petroleum, LLC and TE Products Pipeline Company, Limited Partner, through its general partner, Texas Eastern Products Pipeline Company. In March 2003, CMS MST sold a majority of its wholesale power book and related supply portfolio for $34 million cash proceeds to Constellation Power Source, Inc. The sale contains a potential to increase proceeds to $40 million in 2006 dependent upon future years' performance of the sold contracts. In addition, during the first quarter of 2003, CMS MST sold its 50 percent joint venture ownership interest in Texon, its 50 percent interest in Premstar and its Tulsa retail contracts, resulting in net cash proceeds of approximately $6 million.

In January 2002, CMS Energy completed the sale of its ownership interests in Equatorial Guinea to Marathon Oil Company for approximately $993 million. Proceeds from this transaction were used primarily to retire existing debt. Included in the sale were all of CMS Oil and Gas' oil and gas reserves in Equatorial Guinea and CMS Gas Transmission's ownership interest in the related methanol plant. The gain on the methanol plant of $21 million ($14 million, net of tax) is included in "Gain (loss) on asset sales, net" in the accompanying Consolidated Statements of Income. The gain was subsequently adjusted during the finalization of the sales agreement in June 2002 to $18 million ($12 million, net of tax). The gain on the sale of CMS Oil & Gas' Equatorial Guinea properties of $497 million ($310 million, net of tax) is included in discontinued operations in 2002.

In Millions

	Pre-tax 2003	After-tax 2003	Pre-tax 2002	After-tax 2002
Asset Sales - Gain (Loss):				
Marketing, Services and Trading	$(5)	$(3)	$ -	$ -
Natural Gas Transmission	-	-	21	14
Other	-	-	1	-
Total Gain (Loss) on Asset Sales	$(5)	$(3)	$ 22	$ 14

RESTRUCTURING AND OTHER COSTS

CMS Energy announced in June 2002 a series of new initiatives intended to sharpen its business focus and help restore its financial health by reducing operating costs by an estimated $50 million annually. The initiatives announced included the following:

- Relocating CMS Energy's corporate headquarters from Dearborn, Michigan to a new combined CMS Energy and Consumers headquarters building then under construction in Jackson, Michigan. The Jackson headquarters building opened in March 2003 and will house an estimated 1,450 CMS Energy and Consumers Energy employees. The relocation will ultimately reduce corporate operating expenses.

- Implementing changes to CMS Energy's 401(K) savings program which provided additional savings for CMS Energy and enhanced investment options for employee participants.

- Implementing changes to CMS Energy's health care plan in order to keep benefits and costs competitive.

- Terminating five officers, 18 CMS Field Services employees and 41 CMS MST trading group employees. Prior to December 31, 2002, 31 Dearborn-based employees and 92 Houston employees elected severance arrangements. Of these 187 officers and employees, 65 had been terminated as of December 31, 2002. The remaining terminations will be completed in 2003.

The following table shows the amount charged to expense for restructuring costs, the payments made, and the unpaid balance of accrued costs at March 31, 2003 and 2002.

In Millions

	March 31, 2003		
	Involuntary Termination	Lease Termination	Total
Beginning accrual balance, January 1, 2003	$ 12	$ 8	$ 20
Expense	1	-	1
Payments	(5)	-	(5)
Ending accrual balance	$ 8	$ 8	$ 16

Restructuring costs for the three months ended March 31, 2003, which are included in operating expenses, include $1 million of involuntary employee termination benefits.

In addition, in the first half of 2003, restructuring costs related to relocating employees and other headquarters expenses are expected to be $2 million. The relocation will occur between March and July 2003, and such costs will be expensed as incurred.

3: DISCONTINUED OPERATIONS

In accordance with SFAS No. 144, discontinued operations include components of entities or entire entities that, through disposal transactions, will be eliminated from the ongoing operations of CMS Energy. The assets and liabilities of these entities were measured at the lower of the carrying value or the fair value less cost to sell as required by SFAS No. 144. A description of the entities included in discontinued operations is as follows:

In September 2001, CMS Energy discontinued the operations of the International Energy Distribution segment. CMS Energy is actively seeking a buyer for the assets of CMS Electric and Gas, and although the timing of this sale is difficult to predict, nor can it be assured, management expects the sale to occur in 2003.

In January 2002, CMS Energy completed the sale of its ownership interests in Equatorial Guinea to Marathon Oil Company for approximately $993 million. Included in the sale were all of CMS Oil and Gas' oil and gas reserves in Equatorial Guinea and CMS Gas Transmission's ownership interest in the related methanol plant. The gain on the CMS Oil & Gas Equatorial Guinea properties of $497 million ($310 million, net of tax) is included in discontinued operations. In the first quarter of 2003, CMS Energy settled a liability with the purchaser of Equatorial Guinea and reversed the remaining excess reserve. This transaction resulted in a gain of $6 million, net of tax, which is included in discontinued operations in 2003.

In May 2002, CMS closed on the sale of CMS Oil and Gas' coalbed methane holdings in the Powder River Basin to XTO Energy. The Powder River properties were included in discontinued operations for the first four months of 2002, including a gain on the sale of $20 million ($11 million net of tax).

In June 2002, CMS Energy abandoned the Zirconium Recovery Project, which was initiated in January 2000. The purpose of the project was to extract and sell uranium and zirconium from a pile of caldesite ore held by the Defense Logistic Agency of the U.S. Department of Defense. After evaluating future cost and risk, CMS Energy decided to abandon this project and recorded a $31 million after-tax loss in discontinued operations.

In June 2002, CMS Energy announced its plan to sell CMS MST's energy performance contracting subsidiary, CMS Viron. CMS Viron enables building owners to improve their facilities with equipment upgrades and retrofits and finance the work with guaranteed energy and operational savings. At December 31, 2002, after evaluating all of the relevant facts and circumstances including third-party bid data and liquidation analysis, an impairment charge of $6 million, net of tax, was reflected as an estimated loss on discontinued operations in accordance with the provisions of SFAS No. 144. The provisions limited the impairment charge to the book value of the noncurrent assets of CMS Viron at that time and there have not been any additional impairment charges recorded during the first quarter of 2003. Although the timing of this sale is difficult to predict, nor can it be assured, management expects the sale to occur in the second quarter of 2003.

In December 2002, CMS Energy reached a definitive agreement to sell the Panhandle companies to Southern Union Panhandle Corp. The agreement called for Southern Union Panhandle Corp, a newly formed entity owned by Southern Union Company and AIG Highstar Capital L.P. to pay $662 million in cash and assume $1.166 billion in debt. On March 13, 2003, CMS Energy and Southern Union Company received requests for additional information ("second requests") from the FTC related to Southern Union's acquisition of Panhandle. CMS Energy and Southern Union are in the process of responding to the second requests.

On May 12, 2003, the parties entered into an amendment to the original stock purchase agreement that was executed in December 2002. Under the amendment, AIG Highstar Capital, L.P. and AIG Highstar II Funding Corp. will no longer be parties to the transaction. The Amended and Restated Stock Purchase Agreement calls for Southern Union Panhandle Corp. to purchase all of Panhandle's outstanding capital stock. Southern Union Panhandle Corp. agreed to pay approximately $584 million in cash and 3 million shares of Southern Union Company common stock, and to assume approximately $1.166 billion in debt. The total value of the transaction to CMS Energy will depend on the price of Southern Union Company common stock at the closing. At May 12, 2003, the closing price of Southern Union common stock on the New York Stock Exchange was $12.79. The boards of directors of all applicable companies have approved the amended agreement. The sale of Panhandle is subject to customary closing conditions and action by the Federal Trade Commission under the Hart-Scott-Rodino Act. All necessary state regulatory approvals for the sale pursuant to the original stock purchase agreement have been received. The parties expect the amendment will expedite the regulatory approval of the transaction and anticipate that state regulatory authorities will not object to the changed terms provided for in the amended agreement. The closing is expected to occur by June 30, 2003. AIG Highstar Capital's withdrawal from the transaction should help resolve regulatory issues that arose as a result of AIG Highstar Capital's ownership of Southern Star Central Gas Pipeline's Inc. CMS Gas Transmission and Southern Union also entered into a shareholder agreement, relating to CMS Gas Transmission's ownership of the Southern Union shares of common stock. Pursuant to this shareholder agreement, CMS Gas Transmission generally will be prohibited from disposing of the Southern Union common stock for a period ending 90 - 105 days following the closing of the transaction.

In December 2002, CMS Energy discontinued the operations of Field Services, a subsidiary of CMS Gas Transmission. In May 2003, CMS Energy signed a definitive agreement to sell CMS Field Services to Cantera Resources Inc. for $115.5 million cash and a $50 million face value note. The note is payable to CMS Energy for up to $50 million subject to the financial performance of the Fort Union and Bighorn natural gas gathering systems, from 2004 through 2008.

The summary of balance sheet information below represents those entities that are still in the disposal process, including Panhandle, CMS Viron, Field Services, International Energy Distribution, and the Zirconium Recovery Project. The assets and liabilities of the discontinued operations are shown as separate components in the consolidated balance sheets of CMS Energy.

March 31	2003	In Millions 2002
Assets		
Cash	$ 65	$ 32
Accounts receivable, net	188	237
Materials and supplies	38	84
Other	64	32
Total current assets held for sale	$ 355	$ 385
Property, plant and equipment, net	$1,819	$2,378
Unconsolidated investments	20	90
Goodwill	140	152
Other	63	77
Total non current assets held for sale	$2,042	$2,697
Liabilities		
Accounts payable	$ 112	$ 211
Current portion of long-term debt	2	5
Accrued taxes	-	198
Other current liabilities	185	189
Total current liabilities held for sale	$ 299	$ 603
Long-term debt	$1,152	$1,286
Minority interest	64	93
Other non current liabilities	82	96
Total non current liabilities held for sale	$1,298	$1,475

Revenues from such operations were $314 million and $276 million for the three months ended March 31, 2003 and 2002, respectively. In accordance with SFAS No. 144, the net income (loss) of the operations is included in the consolidated statements of income under "discontinued operations". The income (loss) related to discontinued operations includes a reduction in asset values, a provision for anticipated closing costs, and a portion of CMS Energy's interest expense. Interest expense of $11 million and $20 million for three months ended March 31, 2003 and 2002, respectively, has been allocated to discontinued operations based on the ratio of total capital of each discontinued operation to that of CMS Energy. See the table below for income statement components of the discontinued operations.

Three months ended March 31	2003	2002
	In Millions	
Discontinued operations:		
Income (loss) from discontinued operations, net of tax of $15 and tax benefit of $33	$ 25	$(51)
Gain on disposal of discontinued operations, net of tax of $1 and tax of $0.4	2	-
Total	$ 27	$(51)

4: UNCERTAINTIES

Several business trends or uncertainties may affect CMS Energy's financial results. These trends or uncertainties have, or CMS Energy reasonably expects could have, a material impact on net sales, revenues, or income from continuing operations. Such trends and uncertainties are discussed in detail below.

SEC AND OTHER INVESTIGATIONS: As a result of round-trip trading transactions at CMS MST, CMS Energy's Board of Directors established a Special Committee of independent directors to investigate matters surrounding the transactions and retained outside counsel to assist in the investigation. The Special Committee completed its investigation and reported its findings to the Board of Directors in October 2002. The Special Committee concluded, based on an extensive investigation, that the round-trip trades were undertaken to raise CMS MST's profile as an energy marketer with the goal of enhancing its ability to promote its services to new customers. The Special Committee found no effort to manipulate the price of CMS Energy Common Stock or affect energy prices. The Special Committee also made recommendations designed to prevent any reoccurrence of this practice, most of which have already been implemented. Previously, CMS Energy terminated its speculative trading business and revised its risk management policy. The Board of Directors adopted, and CMS Energy has begun implementing, the remaining recommendations of the Special Committee.

CMS Energy is cooperating with other investigations concerning round-trip trading, including an investigation by the SEC regarding round-trip trades and CMS Energy's financial statements, accounting policies and controls, and investigations by the United States Department of Justice, the Commodity Futures Trading Commission and the FERC. The FERC issued an order on April 30, 2003 directing eight companies, including CMS MST, to submit written demonstrations within forty-five days that they have taken certain specified remedial measures with respect to the reporting of natural gas trading data to publications that compile and publish price indices. CMS MST intends to make a written submission within the specified time period demonstrating compliance with the FERC's directives. Other than the FERC investigation, CMS Energy is unable to predict the outcome of these matters, and what effect, if any these investigations will have on its business.

SECURITIES CLASS ACTION LAWSUITS: Beginning on May 17, 2002, a number of securities class action complaints were filed against CMS Energy, Consumers, and certain officers and directors of CMS Energy and its affiliates. The complaints were filed as purported class actions in the United States District Court for the Eastern District of Michigan. The cases were consolidated into a single lawsuit and an amended and consolidated class action complaint was filed on May 1, 2003. The defendants named in the amended and consolidated class action complaint consist of CMS Energy, Consumers, certain officers and directors of CMS

Energy and its affiliates, and certain underwriters of CMS Energy securities. The purported class period is from May 1, 2000 through and including March 31, 2003. The amended and consolidated class action complaint seeks unspecified damages based on allegations that the defendants violated United States securities laws and regulations by making allegedly false and misleading statements about CMS Energy's business and financial conditions. The companies intend to vigorously defend against this action but cannot predict the outcome of this litigation.

DEMAND FOR ACTIONS AGAINST OFFICERS AND DIRECTORS: The Board of Directors received a demand, on behalf of a shareholder of CMS Energy Common Stock, that it commence civil actions (i) to remedy alleged breaches of fiduciary duties by CMS Energy officers and directors in connection with round-trip trading at CMS MST, and (ii) to recover damages sustained by CMS Energy as a result of alleged insider trades alleged to have been made by certain current and former officers of CMS Energy and its subsidiaries. If the Board elects not to commence such actions, the shareholder has stated that he will initiate a derivative suit, bringing such claims on behalf of CMS Energy. CMS Energy has elected two new members to its Board of Directors who will serve as an independent litigation committee to determine whether it is in the best interest of CMS Energy to bring the action demanded by the shareholder. Counsel for the shareholder has agreed to extend the time for CMS Energy to respond to the demand. CMS Energy cannot predict the outcome of this litigation.

ERISA CLAIMS: CMS Energy is a named defendant, along with Consumers, CMS MST and certain named and unnamed officers and directors, in two lawsuits brought as purported class actions on behalf of participants and beneficiaries of the 401(k) Plan. The two cases, filed in July 2002 in the United States District Court for the Eastern District of Michigan, were consolidated by the trial judge and an amended and consolidated complaint has been filed. Plaintiffs allege breaches of fiduciary duties under ERISA and seek restitution on behalf of the Plan with respect to a decline in value of the shares of CMS Energy Common Stock held in the Plan. Plaintiffs also seek other equitable relief and legal fees. These cases will be vigorously defended. CMS Energy cannot predict the outcome of this litigation.

GAS INDEX PRICING REPORTING: CMS Energy has notified appropriate regulatory and governmental agencies that some employees at CMS MST and CMS Field Services appeared to have provided inaccurate information regarding natural gas trades to various energy industry publications which compile and report index prices. CMS Energy is cooperating with investigations by the Commodity Futures Trading Commission, Department of Justice and FERC regarding this matter. CMS Energy is unable to predict the outcome of these matters and what effect, if any, these investigations will have on its business.

FEES AND EXPENSES: CMS Energy has accrued $15 million for attorney's fees and costs associated with responding to and/or defending against investigations and lawsuits related to round-trip trading and the reporting of gas prices to trade publications. These expenses could total as much as $37 million. CMS Energy expects to recover a significant portion of these expenses from insurers.

CONSUMERS' ELECTRIC UTILITY CONTINGENCIES

ELECTRIC ENVIRONMENTAL MATTERS: Consumers is subject to costly and increasingly stringent environmental regulations. Consumers expects that the cost of future environmental compliance, especially compliance with clean air laws, will be significant.

Clean Air - In 1998, the EPA issued regulations requiring the state of Michigan to further limit nitrogen oxide emissions. The Michigan Department of Environmental Quality finalized rules to comply with the EPA regulations in December 2002 and submitted these rules for approval to the EPA in the first quarter of 2003. In addition, the EPA has also issued additional regulations regarding nitrogen oxide emissions that require certain generators, including some of Consumers' electric generating facilities, to achieve the same emissions

rate as that required by the 1998 regulations. The EPA and the state regulations require Consumers to make significant capital expenditures estimated to be $770 million. As of March 31, 2003, Consumers has incurred $420 million in capital expenditures to comply with the EPA regulations and anticipates that the remaining capital expenditures will be incurred between 2003 and 2009. Additionally, Consumers currently expects to supplement its compliance plan with the purchase of nitrogen oxide emissions credits for years 2005 through 2008. The cost of these credits based on the current market is estimated to average $6 million per year; however, the market for nitrogen oxide emissions credits and their price could change significantly. Based on the Customer Choice Act, beginning January 2004, an annual return of and on these types of capital expenditures, to the extent they are above depreciation levels, is expected to be recoverable from customers, subject to an MPSC prudency hearing.

Cleanup and Solid Waste - Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. Consumers believes that these costs will be recoverable in rates under current ratemaking policies.

Consumers is a potentially responsible party at several contaminated sites administered under Superfund. Superfund liability is joint and several. Along with Consumers, many other creditworthy, potentially responsible parties with substantial assets cooperate with respect to the individual sites. Based upon past negotiations, Consumers estimates that its share of the total liability for the known Superfund sites will be between $1 million and $9 million. As of March 31, 2003, Consumers had accrued the minimum amount of the range for its estimated Superfund liability.

During routine maintenance activities, Consumers identified PCB as a component in certain paint, grout and sealant materials at the Ludington Pumped Storage facility. Consumers removed and replaced part of the PCB material. Consumers has proposed a plan to deal with the remaining materials and is awaiting a response from the EPA.

CONSUMERS' ELECTRIC UTILITY RATE MATTERS

ELECTRIC RESTRUCTURING: In June 2000, the Michigan legislature passed electric utility restructuring legislation known as the Customer Choice Act. This act: 1) permits all customers to choose their electric generation supplier beginning January 1, 2002; 2) cut residential electric rates by five percent; 3) freezes all electric rates through December 31, 2003, and establishes a rate cap for residential customers through at least December 31, 2005, and a rate cap for small commercial and industrial customers through at least December 31, 2004; 4) allows for the use of low-cost Securitization bonds to refinance qualified costs, as defined by the act; 5) establishes a market power supply test that may require transferring control of generation resources in excess of that required to serve firm retail sales requirements (On March 31, 2003, Consumers filed an application with the MPSC that seeks confirmation that Consumers is in compliance with the market power test set forth in the Customer Choice Act); 6) requires Michigan utilities to join a FERC-approved RTO or divest their interest in transmission facilities to an independent transmission owner (Consumers has sold its interest in its transmission facilities to an independent transmission owner, see "Transmission" below); 7) requires Consumers, Detroit Edison and American Electric Power to jointly expand their available transmission capability by at least 2,000 MW; 8) allows deferred recovery of an annual return of and on capital expenditures in excess of depreciation levels incurred during and before the rate freeze/cap period; and 9) allows recovery of "net" Stranded Costs and implementation costs incurred as a result of the passage of the act. In July 2002, the MPSC issued an order approving the plan to achieve the increased transmission capacity. Consumers has completed the transmission capacity projects identified in the plan and has submitted verification of this fact to the MPSC. Consumers believes it is in full compliance with item 7 above.

In 1998, Consumers submitted a plan for electric retail open access to the MPSC. In March 1999, the MPSC issued orders generally supporting the plan. The Customer Choice Act states that the MPSC orders issued before June 2000 are in compliance with this act and enforceable by the MPSC. Those MPSC orders: 1) allow electric customers to choose their supplier; 2) authorize recovery of "net" Stranded Costs and implementation costs; and 3) confirm any voluntary commitments of electric utilities. In September 2000, as required by the MPSC, Consumers once again filed tariffs governing its retail open access program and made revisions to comply with the Customer Choice Act. In December 2001, the MPSC approved revised retail open access tariffs. The revised tariffs establish the rates, terms, and conditions under which retail customers will be permitted to choose an alternative electric supplier. The tariffs, effective January 1, 2002, did not require significant modifications in the existing retail open access program. The tariff terms allow retail open access customers, upon as little as 30 days notice to Consumers, to return to Consumers' generation service at current tariff rates. If any class of customers' (residential, commercial, or industrial) retail open access load reaches 10 percent of Consumers' total load for that class of customers, then returning retail open access customers for that class must give 60 days notice to return to Consumers' generation service at current tariff rates. However, Consumers may not have sufficient, reasonably priced, capacity to meet the additional demand of returning retail open access customers, and may be forced to purchase electricity on the spot market at higher prices than it could recover from its customers. Consumers cannot predict the total amount of electric supply load that may be lost to competitor suppliers, nor whether the stranded cost recovery method adopted by the MPSC will be applied in a manner that will fully offset any associated margin loss.

SECURITIZATION: The Customer Choice Act allows for the use of low-cost Securitization bonds to refinance certain qualified costs, as defined by the act. Securitization typically involves issuing asset-backed bonds with a higher credit rating than conventional utility corporate financing. In 2000 and 2001, the MPSC issued orders authorizing Consumers to issue Securitization bonds. Consumers issued its first Securitization bonds in 2001. Securitization resulted in lower interest costs and a longer amortization period for the securitized assets, and offset the majority of the impact of the required residential rate reduction. The Securitization orders directed Consumers to apply any cost savings in excess of the five percent residential rate reduction to rate reductions for non-residential customers and reductions in Stranded Costs for retail open access customers after the bonds are sold. Excess savings are approximately $12 million annually.

Consumers and Consumers Funding will recover the repayment of principal, interest and other expenses relating to the bond issuance through a securitization charge and a tax charge that began in December 2001. These charges are subject to an annual true-up until one year prior to the last expected bond maturity date, and no more than quarterly thereafter. The first true-up occurred in November 2002, and prospectively modified the total securitization and related tax charges from 1.677 mills per kWh to 1.746 mills per kWh. Current electric rate design covers these charges, and there will be no rate impact for most Consumers electric customers until the Customer Choice Act rate freeze expires. Securitization charge collections, $13 million for the three months ended March 31, 2003, and $12 million for the three months ended March 31, 2002, are remitted to a trustee for the Securitization bonds. Securitization charge collections are dedicated for the repayment of the principal and interest on the Securitization bonds and payment of the ongoing expenses of Consumers Funding and can only be used for those purposes. Consumers Funding is legally separate from Consumers. The assets and income of Consumers Funding, including without limitation, the securitized property, are not available to creditors of Consumers or CMS Energy.

In March 2003, Consumers filed an application with the MPSC seeking approval to issue Securitization bonds in the amount of approximately $1.084 billion. If approved, this would allow the recovery of costs and reduce interest rates associated with financing Clean Air Act expenditures, post-2000 Palisades expenditures, and retail open access implementation costs through December 31, 2003, and certain pension fund expenses, and expenses associated with the issuance of the bonds.

TRANSMISSION: In 2002, Consumers sold its electric transmission system (METC) to MTH, a non-affiliated limited partnership whose general partner is a subsidiary of Trans-Elect Inc.

As a result of the sale, Consumers anticipates its after-tax earnings will be decreased by $15 million in 2003, and decrease by approximately $14 million annually for the next three years due to a loss of revenue from wholesale and retail open access customers who will buy services directly from MTH and the loss of a return on the sold electric transmission system.

Under an agreement with MTH, and subject to certain additional RTO surcharges, transmission rates charged to Consumers are fixed by contract at current levels through December 31, 2005, and subject to FERC ratemaking thereafter. MTH has completed the capital program to expand the transmission system's capability to import electricity into Michigan, as required by the Customer Choice Act, and Consumers will continue to maintain the system under a five-year contract with MTH.

When IPPs connect to transmission systems, they pay transmission companies the capital costs incurred to connect the IPP to the transmission system and make system upgrades needed for the interconnection. It is the FERC's policy that the system upgrade portion of these IPP payments be credited against transmission service charges over time as transmission service is taken. METC recorded a $35 million liability for IPP credits. Subsequently, MTH assumed this liability as part of its purchase of the electric transmission system. Several months after METC started operation, the FERC changed its policy to provide for interest on IPP payments that are to be credited. The $35 million liability for IPP credits did not include interest since the associated interconnection agreements did not at that time provide for interest. MTH had asserted that Consumers might be liable for interest on the IPP payments to be credited if interest provisions were added to these agreements. However, in January 2003, the FERC changed and clarified its approach to contracts that were entered into before the FERC started allowing the crediting of interest, and as a result, Consumers believes that there is no longer any such potential liability under the current FERC policy.

POWER SUPPLY COSTS: During periods when electric demand is high, the cost of purchasing electricity on the spot market can be substantial. To reduce Consumers' exposure to the fluctuating cost of electricity, and to ensure adequate supply to meet demand, Consumers intends to maintain sufficient generation and to purchase electricity from others to create a power supply reserve, also called a reserve margin. The reserve margin provides additional power supply capability above Consumers' anticipated peak power supply demands. It also allows Consumers to provide reliable service to its electric service customers and to protect itself against unscheduled plant outages and unanticipated demand. In recent years, Consumers has planned for a reserve margin of approximately 15 percent from a combination of its owned electric generating plants and electricity purchase contracts or options, as well as other arrangements. However, in light of various factors, including the addition of new generating capacity in Michigan and throughout the Midwest region and additional transmission import capability, Consumers is continuing to evaluate the appropriate reserve margin for 2003 and beyond. Currently, Consumers has an estimated reserve margin of approximately 11 percent for summer 2003 or supply resources equal to 111 percent of projected summer peak load. Of the 111 percent, approximately 101 percent is met from owned electric generating plants and long-term power purchase contracts and 10 percent from short-term contracts and options for physical deliveries and other agreements. The ultimate use of the reserve margin will depend primarily on summer weather conditions, the level of retail open access requirements being served by others during the summer, and any unscheduled plant outages. As of early May 2003, alternative electric suppliers are providing 571 MW of generation supply to ROA customers. Consumers' reserve margin does not include generation being supplied by other alternative electric suppliers under the ROA program.

To reduce the risk of high electric prices during peak demand periods and to achieve its reserve margin target, Consumers employs a strategy of purchasing electric call option and capacity and energy contracts for the

physical delivery of electricity primarily in the summer months and to a lesser degree in the winter months. As of March 31, 2003, Consumers had purchased or had commitments to purchase electric call option and capacity and energy contracts partially covering the estimated reserve margin requirements for 2003 through 2007. As a result, Consumers has a recognized asset of $28 million for unexpired call options and capacity and energy contracts. The total cost of electricity call option and capacity and energy contracts for 2003 is expected to be approximately $9 million.

Prior to 1998, the PSCR process provided for the reconciliation of actual power supply costs with power supply revenues. This process assured recovery of all reasonable and prudent power supply costs actually incurred by Consumers, including the actual cost for fuel, and purchased and interchange power. In 1998, as part of the electric restructuring efforts, the MPSC suspended the PSCR process, and would not grant adjustment of customer rates through 2001. As a result of the rate freeze imposed by the Customer Choice Act, the current rates will remain in effect until at least December 31, 2003 and, therefore, the PSCR process remains suspended. Therefore, changes in power supply costs as a result of fluctuating electricity prices will not be reflected in rates charged to Consumers' customers during the rate freeze period.

ELECTRIC PROCEEDINGS: The Customer Choice Act allows electric utilities to recover the act's implementation costs and "net" Stranded Costs (without defining the term). The act directs the MPSC to establish a method of calculating "net" Stranded Costs and of conducting related true-up adjustments. In December 2001, the MPSC adopted a methodology which calculated "net" Stranded Costs as the shortfall between: (a) the revenue required to cover the costs associated with fixed generation assets, generation-related regulatory assets, and capacity payments associated with purchase power agreements, and (b) the revenues received from customers under existing rates available to cover the revenue requirement. The MPSC authorized Consumers to use deferred accounting to recognize the future recovery of costs determined to be stranded. Consumers has initiated an appeal at the Michigan Court of Appeals related to the MPSC's December 2001 "net" Stranded Cost order.

According to the MPSC, "net" Stranded Costs were to be recovered from retail open access customers through a Stranded Cost transition charge. In April 2002, Consumers made "net" Stranded Cost filings with the MPSC for $22 million for 2000 and $43 million for 2001. In the same filing, Consumers estimated that it would experience "net" Stranded Costs of $126 million for 2002. Consumers in its hearing brief, filed in August 2002, revised its request for Stranded Costs to $7 million and $4 million for 2000 and 2001, respectively, and an estimated $73 million for 2002. The single largest reason for the difference in the filing was the exclusion, as ordered by the MPSC, of all costs associated with expenditures required by the Clean Air Act.

In December 2002, the MPSC issued an order finding that Consumers experienced zero "net" Stranded Costs in 2000 and 2001, but declined to establish a defined methodology that would allow a reliable prediction of the level of Stranded Costs for 2002 and future years. In January 2003, Consumers filed a petition for rehearing of the December 2002 Stranded Cost order in which it asked the MPSC to grant a rehearing and revise certain features of the order. Several other parties also filed rehearing petitions with the MPSC. As noted above, Consumers has filed a request with the MPSC for authority to issue securitization bonds that would allow recovery of the Clean Air Act expenditures that were excluded from the Stranded Cost calculation and post-2000 Palisades expenditures.

On March 4, 2003, Consumers filed an application with the MPSC seeking approval of "net" Stranded Costs incurred in 2002, and for approval of a "net" Stranded Cost recovery charge. In the application, Consumers indicated that if Consumers' proposal to securitize Clean Air Act expenditures and post-2000 Palisades' expenditures were approved as proposed in its securitization case as discussed above, then Consumers' "net" Stranded Costs incurred in 2002 are approximately $35 million. If the proposal to securitize those costs is not

approved, then Consumers indicated that the costs would be properly included in the 2002 "net" Stranded Cost calculation, which would increase Consumers' 2002 "net" Stranded Costs to approximately $103 million. Consumers cannot predict the recoverability of Stranded Costs, and therefore has not recorded any regulatory assets to recognize the future recovery of such costs.

The MPSC staff has scheduled a collaborative process to discuss Stranded Costs and related issues and to identify and make recommendations to the MPSC. Consumers is participating in this collaborative process.

Since 1997, Consumers has incurred significant electric utility restructuring implementation costs. The following table outlines the applications filed by Consumers with the MPSC and the status of recovery for these costs.

In Millions

Year Filed	Year Incurred	Requested	Pending	Allowed	Disallowed
1999	1997 & 1998	$ 20	$ -	$ 15	$ 5
2000	1999	30	-	25	5
2001	2000	25	-	20	5
2002	2001	8	8	Pending	Pending
2003	2002	2	2	Pending	Pending

The MPSC disallowed certain costs based upon a conclusion that these amounts did not represent costs incremental to costs already reflected in electric rates. In the orders received for the years 1997 through 2000, the MPSC also reserved the right to review again the total implementation costs depending upon the progress and success of the retail open access program, and ruled that due to the rate freeze imposed by the Customer Choice Act, it was premature to establish a cost recovery method for the allowable implementation costs. In addition to the amounts shown above, as of March 31, 2003, Consumers incurred and deferred as a regulatory asset, $2 million of additional implementation costs and has also recorded as a regulatory asset $14 million for the cost of money associated with total implementation costs. Consumers believes the implementation costs and the associated cost of money are fully recoverable in accordance with the Customer Choice Act. Cash recovery from customers will probably begin after the rate freeze or rate cap period has expired. As discussed above, Consumers has asked to include implementation costs through December 31, 2003 in the pending securitization case. If approved, the sale of Securitization bonds will allow for the recovery of these costs. Consumers cannot predict the amounts the MPSC will approve as allowable costs.

Consumers is also pursuing authorization at the FERC for MISO to reimburse Consumers for approximately $8 million in certain electric utility restructuring implementation costs related to its former participation in the development of the Alliance RTO, a portion of which has been expensed. However, Consumers cannot predict the amount the FERC will ultimately order to be reimbursed by the MISO.

In 1996, Consumers filed new OATT transmission rates with the FERC for approval. Interveners contested these rates, and hearings were held before an ALJ in 1998. In 1999, the ALJ made an initial decision that was largely upheld by the FERC in March 2002, which requires Consumers to refund, with interest, over-collections for past services as measured by the FERC's finally approved OATT rates. Since the initial decision, Consumers has been reserving a portion of revenues billed to customers under the filed 1996 OATT rates. Consumers submitted revised rates to comply with the FERC final order in June 2002. Those revised rates were accepted by the FERC in August 2002 and Consumers is in the process of computing refund amounts for individual customers. Consumers believes its reserve is sufficient to satisfy its refund obligation. As of April 2003, Consumers had paid $19 million in refunds.

In November 2002, the MPSC, upon its own motion, commenced a contested proceeding requiring each utility to give reason as to why its rates should not be reduced to reflect new personal property multiplier

tables, and why it should not refund any amounts that it receives as refunds from local governments as they implement the new multiplier tables. Consumers responded to the MPSC that it believes that refunds would be inconsistent with the electric rate freeze that is currently in effect, and may otherwise be unlawful. Consumers is unable to predict the outcome of this matter.

OTHER CONSUMERS' ELECTRIC UTILITY UNCERTAINTIES

THE MIDLAND COGENERATION VENTURE: The MCV Partnership, which leases and operates the MCV Facility, contracted to sell electricity to Consumers for a 35-year period beginning in 1990 and to supply electricity and steam to Dow. Consumers, through two wholly owned subsidiaries, holds the following assets related to the MCV Partnership and MCV Facility: 1) CMS Midland owns a 49 percent general partnership interest in the MCV Partnership; and 2) CMS Holdings holds, through FMLP, a 35 percent lessor interest in the MCV Facility.

Consumers' consolidated retained earnings includes undistributed earnings from the MCV Partnership, which at March 31, 2003 and 2002 are $233 million and $187 million, respectively.

Summarized Statements of Income for CMS Midland and CMS Holdings

	In Millions	
March 31	2003	2002
Operating income	$16	$9
Income taxes and other	5	3
Net income	$11	$6

Power Supply Purchases from the MCV Partnership - Consumers' annual obligation to purchase capacity from the MCV Partnership is 1,240 MW through the term of the PPA ending in 2025. The PPA requires Consumers to pay, based on the MCV Facility's availability, a levelized average capacity charge of 3.77 cents per kWh and a fixed energy charge, and also to pay a variable energy charge based primarily on Consumers' average cost of coal consumed for all kWh delivered. Since January 1, 1993, the MPSC has permitted Consumers to recover capacity charges averaging 3.62 cents per kWh for 915 MW, plus a substantial portion of the fixed and variable energy charges. Since January 1, 1996, the MPSC has also permitted Consumers to recover capacity charges for the remaining 325 MW of contract capacity with an initial average charge of 2.86 cents per kWh increasing periodically to an eventual 3.62 cents per kWh by 2004 and thereafter. However, due to the current freeze of Consumers' retail rates that the Customer Choice Act requires, the capacity charge for the 325 MW is now frozen at 3.17 cents per kWh. Recovery of both the 915 MW and 325 MW portions of the PPA are subject to certain limitations discussed below. After September 2007, the PPA's regulatory out terms obligate Consumers to pay the MCV Partnership only those capacity and energy charges that the MPSC has authorized for recovery from electric customers.

In 1992, Consumers recognized a loss and established a PPA liability for the present value of the estimated future underrecoveries of power supply costs under the PPA based on MPSC cost recovery orders. Primarily as a result of the MCV Facility's actual availability being greater than management's original estimates, the PPA liability has been reduced at a faster rate than originally anticipated. At March 31, 2003 and 2002, the remaining after-tax present value of the estimated future PPA liability associated with the loss totaled $30 million and $46 million, respectively. The PPA liability is expected to be depleted in late 2004. For further discussion on the impact of the frozen PSCR, see "Electric Rate Matters" in this Note.

In March 1999, Consumers and the MCV Partnership reached a settlement agreement effective January 1,

1999, that addressed, among other things, the ability of the MCV Partnership to count modifications increasing the capacity of the existing MCV Facility for purposes of computing the availability of contract capacity under the PPA for billing purposes. That settlement agreement capped payments made on the basis of availability that may be billed by the MCV Partnership at a maximum 98.5 percent availability level. When Consumers returns, as expected, to unfrozen rates beginning in 2004, Consumers will recover from customers capacity and fixed energy charges on the basis of availability, to the extent that availability does not exceed 88.7 percent availability established in previous MPSC orders. For capacity and energy payments billed by the MCV Partnership after September 15, 2007, and not recovered from customers, Consumers would expect to claim a regulatory out under the PPA. The regulatory out provision relieves Consumers of the obligation to pay more for capacity and energy payments than the MPSC allows Consumers to collect from its customers. Consumers estimates that 51 percent of the actual cash underrecoveries for the years 2003 and 2004 will be charged to the PPA liability, with the remaining portion charged to operating expense as a result of Consumers' 49 percent ownership in the MCV Partnership. All cash underrecoveries will be expensed directly to income once the PPA liability is depleted. If the MCV Facility's generating availability remains at the maximum 98.5 percent level during the next five years, Consumers' after-tax cash underrecoveries associated with the PPA could be as follows:

In Millions

	2003	2004	2005	2006	2007
Estimated cash underrecoveries at 98.5%, net of tax	$37	$36	$36	$36	$25
Amount to be charged to operating expense, net of tax	$18	$18	$36	$36	$25
Amount to be charged to PPA liability, net of tax	$19	$18	$ -	$ -	$ -

In February 1998, the MCV Partnership appealed the January 1998 and February 1998 MPSC orders related to electric utility restructuring. At the same time, MCV Partnership filed suit in the United States District Court in Grand Rapids seeking a declaration that the MPSC's failure to provide Consumers and MCV Partnership a certain source of recovery of capacity payments after 2007 deprived MCV Partnership of its rights under the Public Utilities Regulatory Policies Act of 1978. In July 1999, the District Court granted MCV Partnership's motion for summary judgment. The Court permanently prohibited enforcement of the restructuring orders in any manner that denies any utility the ability to recover amounts paid to qualifying facilities such as the MCV Facility or that precludes the MCV Partnership from recovering the avoided cost rate. The MPSC appealed the Court's order to the 6th Circuit Court of Appeals in Cincinnati. In June 2001, the 6th Circuit overturned the lower court's order and dismissed the case against the MPSC. The appellate court determined that the case was premature and concluded that the qualifying facilities needed to wait until 2008 for an actual factual record to develop before bringing claims against the MPSC in federal court.

NUCLEAR MATTERS: Throughout 2002, Big Rock, currently in decommissioning, progressed on plan with building and equipment dismantlement to return the site to a natural setting free for any future use. Periodic NRC inspection reports continued to reflect positively on Big Rock project performance. The NRC found all decommissioning activities were performed in accordance with applicable regulatory and license conditions.

In February 2003, the NRC completed its end-of-cycle plant performance assessment of Palisades. The end-of-cycle review for Palisades covered the 2002 calendar year. The NRC determined that Palisades was operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Based on the plant's performance, only regularly scheduled inspections are planned through March 2004. The NRC noted that they are planning inspections of the new independent spent fuel storage facility as needed during

construction activities along with routine inspections for the new security requirements.

Spent Nuclear Fuel Storage: During the fourth quarter of 2002, equipment fabrication, assembly and testing was completed at Big Rock on NRC approved transportable steel and concrete canisters or vaults, commonly known as "dry-casks," for temporary onsite storage of spent fuel and movement of fuel from the fuel pool to dry casks began. As of March 31, 2003, all of the seven dry casks had been loaded with spent fuel. These transportable dry casks will remain onsite until the DOE moves the material to a permanent national fuel repository.

At Palisades, the amount of spent nuclear fuel discharged from the reactor to date exceeds Palisades' temporary on-site storage pool capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, "dry casks", for temporary on-site storage. As of March 31, 2003, Consumers had loaded 18 dry casks with spent nuclear fuel at Palisades. Palisades will need to load additional dry casks by the fall of 2004 in order to continue operation. Palisades currently has three empty storage-only dry casks on-site, with storage pad capacity for up to seven additional loaded dry casks. Consumers anticipates that licensed transportable dry casks for additional storage, along with more storage pad capacity, will be available prior to 2004.

In 1997, a U.S. Court of Appeals decision confirmed that the DOE was to begin accepting deliveries of spent nuclear fuel for disposal by January 31, 1998. Subsequent U.S. Court of Appeals litigation in which Consumers and certain other utilities participated has not been successful in producing more specific relief for the DOE's failure to comply.

In July 2000, the DOE reached a settlement agreement with one utility to address the DOE's delay in accepting spent fuel. The DOE may use that settlement agreement as a framework that it could apply to other nuclear power plants. However, certain other utilities challenged the validity of the mechanism for funding the settlement in an appeal, and the reviewing court sustained their challenge. Additionally, there are two court decisions that support the right of utilities to pursue damage claims in the United States Court of Claims against the DOE for failure to take delivery of spent fuel. A number of utilities have commenced litigation in the Court of Claims, including Consumers, which filed its complaint in December 2002. The Chief Judge of the Court of Claims identified six lead cases to be used as vehicles for resolving dispositive motions. Consumers' case is not a lead case. It is unclear what impact this decision by the Chief Judge will have on the outcome of Consumers' litigation. If the litigation that was commenced in the fourth quarter of 2002, against the DOE is successful, Consumers anticipates future recoveries from the DOE to defray the significant costs it will incur for the storage of spent fuel until the DOE takes possession as required by law.

As of March 31, 2003, Consumers has a recorded liability to the DOE of $138 million, including interest, which is payable upon the first delivery of spent nuclear fuel to the DOE. Consumers recovered through electric rates the amount of this liability, excluding a portion of interest.

On March 26, 2003, the Michigan Environmental Council, the Public Interest Research Group in Michigan, and the Michigan Consumer Federation submitted a complaint which was served on Consumers by the MPSC on April 18, 2003, that asks the MPSC to commence a generic investigation and contested case to review all facts and issues concerning costs associated with spent nuclear fuel storage and disposal. The complaint seeks a variety of relief with respect to Consumers Energy, The Detroit Edison Company, Indiana & Michigan Electric Company, Wisconsin Electric Power Company and Wisconsin Public Service Corporation, including establishing external trusts to which amounts collected in electric rates for spent nuclear fuel storage and disposal should be transferred, and the adoption of additional measures related to the storage and disposal of spent nuclear fuel. Consumers is reviewing the complaint and, at this time, is unable to predict the outcome of this matter.

In July 2002, Congress approved and the President signed a bill designating the site at Yucca Mountain,

Nevada, for the development of a repository for the disposal of high-level radioactive waste and spent nuclear fuel. The next step will be for the DOE to submit an application to the NRC for a license to begin construction of the repository. The application and review process is estimated to take several years.

Palisades Plant Operations: In March 2002, corrosion problems were discovered in the reactor head at an unaffiliated nuclear power plant in Ohio. As a result, the NRC requested that all United States nuclear plants utilizing pressurized water reactors to provide reports detailing their reactor head inspection histories, design capabilities and future inspection plans. In response to the issues identified at this and other nuclear plants worldwide, a bare metal visual inspection was completed on the Palisades reactor vessel head during the spring 2003 refueling outage. No indication of leakage was detected on any of the 54 penetrations.

Insurance: Consumers maintains primary and excess nuclear property insurance from NEIL, totaling $2.7 billion in recoverable limits for the Palisades nuclear plant. Consumers also procures coverage from NEIL that would partially cover the cost of replacement power during certain prolonged accidental outages at Palisades. NEIL's policies include coverage for acts of terrorism.

Consumers retains the risk of loss to the extent of the insurance deductibles and to the extent that its loss exceeds its policy limits. Because NEIL is a mutual insurance company, Consumers could be subject to assessments from NEIL up to $25.8 million in any policy year if insured losses in excess of NEIL's maximum policyholders surplus occur at its, or any other member's nuclear facility.

Consumers maintains nuclear liability insurance for injuries and off-site property damage resulting from the nuclear hazard at Palisades for up to approximately $9.5 billion, the maximum insurance liability limits established by the Price-Anderson Act. Congress enacted the Price-Anderson Act to provide financial protection for persons who may be liable for a nuclear accident or incident and persons who may be injured by a nuclear incident. The Price-Anderson Act was recently extended to December 31, 2003. Part of the Price-Anderson Act's financial protection consists of a mandatory industry-wide program under which owners of nuclear generating facilities could be assessed if a nuclear incident occurs at any of such facilities. The maximum assessment against Consumers could be $88 million per occurrence, limited to maximum annual installment payments of $10 million. Consumers also maintains insurance under a master worker program that covers tort claims for bodily injury to workers caused by nuclear hazards. The policy contains a $300 million nuclear industry aggregate limit. Under a previous insurance program providing coverage for claims brought by nuclear workers, Consumers remains responsible for a maximum assessment of up to $6.3 million. The Big Rock plant remains insured for nuclear liability by a combination of insurance and United States government indemnity totaling $544 million.

Insurance policy terms, limits and conditions are subject to change during the year as Consumers renews its policies.

CONSUMERS' GAS UTILITY CONTINGENCIES

GAS ENVIRONMENTAL MATTERS: Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. These include 23 former manufactured gas plant facilities, which were operated by Consumers for some part of their operating lives, including sites in which it has a partial or no current ownership interest. Consumers has completed initial investigations at the 23 sites. For sites where Consumers has received site-wide study plan approvals, it will continue to implement these plans. It will also work toward closure of environmental issues at sites as studies are completed. Consumers has estimated its costs related to investigation and remedial action for all 23 sites using the Gas Research Institute-Manufactured Gas Plant Probabilistic Cost Model. The estimated total costs are between $82 million and $113 million; these estimates are based on

discounted 2001 costs and follow EPA recommended use of discount rates between three and seven percent for this type of activity. Consumers expects to fund a significant portion of these costs through insurance proceeds and through MPSC approved rates charged to its customers. As of March 31, 2003, Consumers has an accrued liability of $49 million, net of $33 million of expenditures incurred to date, and a regulatory asset of $69 million. Any significant change in assumptions, such as an increase in the number of sites, different remediation techniques, nature and extent of contamination, and legal and regulatory requirements, could affect Consumers' estimate of remedial action costs.

The MPSC, in its November 7, 2002, gas distribution rate order, authorized Consumers to continue to recover approximately $1 million of manufactured gas plant facilities environmental clean-up costs annually. Consumers defers and amortizes, over a period of 10 years, manufactured gas plant facilities environmental clean-up costs above the amount currently being recovered in rates. Additional rate recognition of amortization expense cannot begin until after a prudency review in a gas rate case. The annual amount that the MPSC authorized Consumers to recover in rates will continue to be offset by $2 million to reflect amounts recovered from all other sources.

CONSUMERS' GAS UTILITY RATE MATTERS

GAS COST RECOVERY: As part of the on-going GCR process, which includes an annual reconciliation process with the MPSC, Consumers expects to collect all of its incurred gas costs. Under an order issued by the MPSC on March 12, 2003, Consumers increased its maximum GCR factor in May 2003, based on a formula that tracks increases in NYMEX prices.

2003 GAS RATE CASE: On March 14, 2003, Consumers filed an application with the MPSC seeking a $156 million increase in its gas delivery and transportation rates, which include a 13.5 percent authorized return on equity, based on a 2004 test year. If approved, the request would add about $6.40 per month, or about 9 percent, to the typical residential customer's average monthly bill. Contemporaneously with this filing, Consumers has requested interim rate relief in the same amount.

In September 2002, the FERC issued an order rejecting a filing by Consumers to assess certain rates for non-physical gas title tracking services offered by Consumers. Despite Consumers' arguments to the contrary, the FERC asserted jurisdiction over such activities and allowed Consumers to refile and justify a title transfer fee not based on volumes as Consumers proposed. Because the order was issued six years after Consumers made its original filing initiating the proceeding, over $3 million in non-title transfer tracking fees had been collected. No refunds have been ordered, and Consumers sought rehearing of the September order. If refunds were ordered they may include interest which would increase the refund liability to more than the $3 million collected. In December 2002, Consumers established a $3.6 million reserve related to this matter. Consumers is unable to say with certainty what the final outcome of this proceeding might be.

In November 2002, the MPSC upon its own motion commenced a contested proceeding requiring each utility to give reason as to why its rates should not be reduced to reflect new personal property multiplier tables, and why it should not refund any amounts that it receives as refunds from local governments as they implement the new multiplier tables. Consumers responded to the MPSC that it believes that refunds would be inconsistent with the November 7, 2002 gas rate order in case U-13000, with the Customer Choice Act, and may otherwise be unlawful. Consumers is unable to predict the outcome of this matter.

OTHER CONSUMERS' UNCERTAINTIES

SECURITY COSTS: Since the September 11, 2001 terrorist attacks in the United States, Consumers has increased security at all critical facilities and over its critical infrastructure, and will continue to evaluate security on an

ongoing basis. Consumers may be required to comply with federal and state regulatory security measures promulgated in the future. Through December 31, 2002, Consumers has incurred approximately $4 million in incremental security costs, including operating, capital, and decommissioning and removal costs. Consumers estimates it may incur additional incremental security costs in 2003 of approximately $6 million. Consumers will attempt to seek recovery of these costs from its customers. In December 2002, the Michigan legislature passed, and the governor signed, a bill that would allow Consumers to seek recovery of additional nuclear electric division security costs incurred during the rate freeze and cap periods imposed by the Customer Choice Act. Of the $4 million in incremental security costs incurred through December 31, 2002, approximately $3 million related to nuclear security costs. Of the estimated $6 million for incremental security costs expected to be incurred in 2003, $4 million relates to nuclear security costs. On February 5, 2003, the MPSC adopted filing requirements for the recovery of enhanced security costs.

OTHER UNCERTAINTIES

CMS GENERATION-OXFORD TIRE RECYCLING: In 1999, the California Regional Water Control Board of the State of California named CMS Generation as a potentially responsible party for the cleanup of the waste from a fire that occurred in September 1999 at the Filbin tire pile. The tire pile was maintained as fuel for an adjacent power plant owned by Modesto Energy Limited Partnership. Oxford Tire Recycling of Northern California, Inc., a subsidiary of CMS Generation until 1995, owned the Filbin tire pile. CMS Generation has not owned an interest in Oxford Tire Recycling of Northern California, Inc. or Modesto Energy Limited Partnership since 1995. In 2000, the California Attorney General filed a complaint against the potentially responsible parties for cleanup of the site and assessed penalties for violation of the California Regional Water Control Board order. The parties have reached a settlement with the state, which the court approved, pursuant to which CMS Energy had to pay $6 million. At the request of the U.S. Department of Justice in San Francisco (DOJ), CMS Energy and other parties contacted by the DOJ entered into separate tolling agreements with the DOJ in September 2002 that stopped the running of any statute of limitations until March 14, 2003 (later extended to June 30, 2003) to facilitate the settlement discussions between all the parties in connection with federal claims arising from the fire at the Filbin tire pile. On September 23, 2002, CMS Energy received a written demand from the U.S. Coast Guard for reimbursement of approximately $3.5 million in costs incurred by the U.S. Coast Guard in fighting the fire.

In connection with this fire, several class action lawsuits were filed claiming that the fire resulted in damage to the class and that management of the site caused the fire. CMS Generation has reached a settlement in principle with the plaintiffs in the amount of $9 million. The primary insurance carrier will cover 100 percent of the settlement once the agreement is finalized.

DEARBORN INDUSTRIAL GENERATION: In October 2001, Duke/Fluor Daniel (DFD) presented DIG with a change order to their construction contract and filed an action in Michigan state court claiming damages in the amount of $110 million, plus interest and costs, which DFD states represents the cumulative amount owed by DIG for delays DFD believes DIG caused and for prior change orders that DIG previously rejected. DFD also filed a construction lien for the $110 million. DIG, in addition to drawing down on three letters of credit totaling $30 million that it obtained from DFD, has filed an arbitration claim against DFD asserting in excess of an additional $75 million in claims against DFD. The judge in the Michigan State Court case entered an order staying DFD's prosecution of its claims in the court case and permitting the arbitration to proceed. DFD has appealed the decision by the judge in the Michigan state court case to stay the arbitration. DIG will continue to vigorously defend itself and pursue its claims. DIG cannot predict the outcome of this matter.

DIG CUSTOMER DISPUTES: As a result of the continued delays in the DIG project becoming fully operational, DIG's customers, Ford Motor Company and Rouge Industries, have asserted claims that the continued delays relieve them of certain contractual obligations totaling $43 million. In addition, Ford and/or Rouge have

asserted several other commercial claims against DIG relating to operation of the DIG plant. In February 2003, Rouge filed an Arbitration Demand against DIG and CMS MST Michigan, LLC with the American Arbitration Association. Rouge is seeking a total of $27 million plus additional accrued damages at the time of any award, plus interest. More specifically, Rouge is seeking at least $20 million under a Blast Furnace Gas Delivery Agreement in connection with DIG's purported failure to declare a Blast Furnace Gas Delivery Date within a reasonable time period, plus $7 million for assorted damage claims under several legal theories. DIG and CMS MST Michigan, LLC intend to vigorously defend themselves, and DIG has filed claims against Rouge and Ford as part of this arbitration. DIG cannot predict the outcome of this matter.

DIG NOISE ABATEMENT LAWSUIT: In February 2003, DIG was served with a three-count first amended complaint in the matter of Ahmed, et al. v. Dearborn Industrial Generation, LLC, Wayne County Circuit Court Case No. 02-241296-CZ. The complaint seeks damages "in excess of $25,000" and injunctive relief based upon allegations of excessive noise and vibration created by operation of the power plant. The first amended complaint was filed on behalf of six named plaintiffs, all alleged to be adjacent or nearby residents or property owners. The damages alleged are injury to persons and property of the landowners. Certification of a class of "potentially thousands" who have been similarly affected is requested. DIG intends to aggressively defend this action. DIG cannot predict the outcome of this matter.

MCV EXPANSION, LLC: Under an agreement entered into with General Electric Company ("GE") in October 2002, as of December 31, 2002 MCV Expansion, LLC has a remaining contingent obligation to GE in the amount of $3.5 million that may become payable on July 1, 2003. The agreement provides that this contingent obligation is subject to a pro rata reduction under a formula based upon certain purchase orders being entered into with GE by June 30, 2003. MCV Expansion anticipates but cannot assure that purchase orders will be executed with GE by June 30, 2003 sufficient to eliminate the contingent obligation of $3.5 million.

CMS OIL AND GAS: In 1999, a former subsidiary of CMS Oil and Gas, Terra Energy Ltd., was sued by Star Energy, Inc. and White Pine Enterprises LLC in the 13th Judicial Circuit Court in Antrim County, Michigan, on grounds, among others, that Terra violated oil and gas lease and other agreements by failing to drill wells. Among the defenses asserted by Terra were that the wells were not required to be drilled and the claimant's sole remedy was termination of the oil and gas lease. During the trial, the judge declared the lease terminated in favor of White Pine. The jury then awarded Star Energy and White Pine $7.6 million in damages. Terra appealed this matter to the Michigan Court of Appeals. The Court of Appeals reversed the trial court judgment with respect to the appropriate measure of damages and remanded the case for a new trial on damages. Terra has taken an appeal to the Michigan Supreme Court. A reserve has been established for this matter.

ARGENTINA ECONOMIC SITUATION: In January 2002, the Republic of Argentina enacted the Public Emergency and Foreign Exchange System Reform Act. This law repealed the fixed exchange rate of one U.S. dollar to one Argentina peso, converted all dollar-denominated utility tariffs and energy contract obligations into pesos at the same one-to-one exchange rate, and directed the President of Argentina to renegotiate such tariffs.

Effective April 30, 2002, CMS Energy adopted the Argentine peso as the functional currency for most of its Argentine investments. CMS had previously used the U.S. dollar as the functional currency for its Argentine investments. As a result, on April 30, 2002, CMS Energy translated the assets and liabilities of its Argentine entities into U.S. dollars, in accordance with SFAS No. 52, using an exchange rate of 3.45 pesos per U.S. dollar, and recorded an initial charge to the Foreign Currency Translation component of Common Stockholders' Equity of approximately $400 million.

While CMS Energy's management cannot predict the most likely future, or average peso to U.S. dollar

exchange rates, it does expect that these non-cash charges substantially reduce the risk of further material balance sheet impacts when combined with anticipated proceeds from international arbitration currently in progress, political risk insurance, and the eventual sale of these assets. At March 31, 2003, the net foreign currency loss due to the unfavorable exchange rate of the Argentine peso recorded in the Foreign Currency Translation component of Common Stockholder's Equity using an exchange rate of 2.973 pesos per U.S. dollar was $258 million. This amount also reflects the effect of recording U.S. income taxes with respect to temporary differences between the book and tax basis of foreign investments, including the foreign currency translation associated with CMS Energy's Argentine investments, that were determined to no longer be essentially permanent in duration.

OTHER: Certain CMS Gas Transmission and CMS Generation affiliates in Argentina received notice from various Argentine provinces claiming stamp taxes and associated penalties and interest arising from various gas transportation transactions. Although these claims total approximately $75 million, the affiliates and CMS Energy believe the claims are without merit and will continue to vigorously contest them.

CMS Generation does not currently expect to incur significant capital costs at its power facilities for compliance with current U.S. environmental regulatory standards.

In addition to the matters disclosed in this Note, Consumers, Panhandle and certain other subsidiaries of CMS Energy are parties to certain lawsuits and administrative proceedings before various courts and governmental agencies arising from the ordinary course of business. These lawsuits and proceedings may involve personal injury, property damage, contractual matters, environmental issues, federal and state taxes, rates, licensing and other matters.

CMS Energy has accrued estimated losses for certain contingencies discussed in this Note. Resolution of these contingencies is not expected to have a material adverse impact on CMS Energy's financial position, liquidity, or results of operations.

5: SHORT-TERM AND LONG-TERM FINANCINGS AND CAPITALIZATION

LONG-TERM DEBT SUMMARY

				In Millions
March 31	Interest Rate (%)	Maturity	2003	2002
CMS ENERGY				
Senior Notes	8.125	2002	$ -	$ 350
	7.625	2004	176	178
	6.750	2004	287	297
	9.875	2007	468	497
	8.900	2008	260	266
	7.500	2009	409	464
	8.500	2011	300	339
	8.375	2013	150	150
			2,050	2,541
General Term Notes				
Series D	6.932(a)	2003-2008	80	110
Series E	7.828(a)	2003-2009	216	318
Series F	7.580(a)	2003-2016	297	300
			593	728

Extendible Tenor Rate Adjusted Securities	7.000	2005	180	180
Senior Credit Facilities		2003	248	-
Other			13	9
			441	189
CONSUMERS ENERGY				
Senior Notes	Floating	2002	-	100
	6.000	2005	300	300
	6.250	2006	332	332
	6.375	2008	159	159
	6.200(b)	2008	250	250
	6.875	2018	180	180
	6.500(c)	2018	141	141
	6.500	2028	142	143
			1,504	1,605
Securitization Bonds		2003-2016	446	469
First Mortgage Bonds	7.375	2023	208	208
Long-Term Bank Debt		2004-2006	590	141
Nuclear Fuel Disposal		(d)	138	136
Pollution Control Revenue Bonds	5.100	2010-2018	126	126
Other			7	6
			1,515	1,086
OTHER SUBSIDIARIES			53	81
Principal Amount Outstanding			6,156	6,230
Current Amounts			(915)	(723)
Net Unamortized Discount			(29)	(32)
Total Long-Term Debt			$ 5,212	$ 5,475

a. Represents the weighted average interest rate at March 31, 2003.
b. These notes are subject to a Call Option by the Callholder or a Mandatory Put on May 1, 2003.
c. Includes $141 million Senior Remarketed Notes subject to optional redemption by Consumers after June 15, 2005.
d. Maturity date uncertain.

CMS ENERGY

On March 30, 2003, CMS Energy entered into an amendment and restatement of its existing $300 million and $295.8 million revolving credit facilities. The Second Amended and Restated Senior Credit Agreement includes a $159 million tranche with a maturity date of April 30, 2004 and a $250 million tranche with a maturity date of September 30, 2004. The facility was underwritten by several banks at a total annual cost to CMS Energy of approximately ten percent, which includes the initial commitment fee. Any proceeds of debt or equity issuances by CMS Energy and its subsidiaries or any asset sales by CMS Energy or its subsidiaries, other than Consumers, are required to be used to prepay this facility. This facility primarily collateralized by the stock of Consumers, Enterprises and certain Enterprises subsidiaries.

GENERAL TERM NOTES: At March 31, 2003, CMS Energy had issued and outstanding $593 million GTNs, comprised of $80 million Series D GTNs, $216 million Series E GTNs and $297 million of Series F GTNs with weighted average interest rates of 6.9 percent, 7.8 percent and 7.6 percent, respectively. No Series G GTNs have been issued since their registration in May 2002.

ENTERPRISES

On March 30, 2003, Enterprises entered into a revolving credit facility in an aggregate amount of $441 million. The maturity date of this facility is April 30, 2004. Subsequently, on April 21, 2003, Enterprises entered into a $75 million revolving credit facility with a maturity date of April 30, 2004. These facilities were underwritten by several banks at a total annual cost to CMS Energy of approximately ten percent, which includes the initial commitment fee. Proceeds from these loans will be used for general corporate purposes, to retire debt and to collateralize $160 million of letters of credit. Any proceeds of debt or equity issuances by CMS Energy and its subsidiaries or any asset sales by CMS Energy or its subsidiaries, other than Consumers, are required to be used to prepay these facilities. It is expected that proceeds from the Panhandle sale will be used to pay off these facilities in full. These facilities are guaranteed by CMS Energy, whose guaranty is primarily secured by the stock of Consumers and Enterprises.

CONSUMERS

REGULATORY AUTHORIZATION FOR FINANCINGS: At March 31, 2003, Consumers had FERC authorization to issue or guarantee through June 2004, up to $1.1 billion of short-term securities outstanding at any one time. Consumers also had remaining FERC authorization to issue through June 2004 up to $500 million of long-term securities for refinancing or refunding purposes, $381 million for general corporate purposes, and $610 million of first mortgage bonds to be issued solely as collateral for the long-term securities. On April 30, 2003, Consumers sold $625 million principal amount of first mortgage bonds, described below. Its remaining FERC authorization after this issue is (1) $250 million of long-term securities for refinancing or refunding purposes, (2) $6 million for general corporate purposes, and (3) $610 million remaining first mortgage bonds available to be issued solely as collateral for the long-term securities. On October 10, 2002, FERC granted a waiver of its competitive bid/negotiated placement requirements applicable to the remaining long-term securities authorization indicated above.

LONG-TERM FINANCINGS: In March 2003, Consumers entered into a $140 million term loan secured by first mortgage bonds with a private investor bank. This loan has a term of six years at a cost of LIBOR plus 475 basis points. Proceeds from this loan were used for general corporate purposes.

In March 2003, Consumers entered into a $150 million term loan secured by first mortgage bonds. This term loan has a three-year maturity expiring in March 2006; the loan has a cost of LIBOR plus 450 basis points. Proceeds from this loan were used for general corporate purposes.

FIRST MORTGAGE BONDS: In April 2003, Consumers sold $625 million principal amount of first mortgage bonds in a private offering to institutional investors; $250 million were issued at 4.25 percent, maturing on April 15, 2008, and net proceeds were approximately $248 million, $375 million were issued at 5.38 percent, maturing on April 15, 2013, and net proceeds were approximately $371 million. Consumers used the net proceeds to replace a $250 million senior reset put bond that matured in May 2003, to pay an associated $32 million option call payment, and for general corporate purposes that may include paying down additional debt. Consumers has agreed to file a registration statement with the SEC to permit holders of these first mortgage bonds to exchange the bonds for new bonds that will be registered under the Securities Act of 1933. Consumers has agreed to file this registration statement by December 31, 2003.

Consumers secures its first mortgage bonds by a mortgage and lien on substantially all of its property.

Consumers' ability to issue and sell securities is restricted by certain provisions in its first mortgage bond Indenture, its articles of incorporation and the need for regulatory approvals to meet appropriate federal law.

SHORT-TERM FINANCINGS: In March 2003, Consumers obtained a replacement revolving credit facility in the amount of $250 million secured by first mortgage bonds. The cost of the facility is LIBOR plus 350 basis points. The new credit facility matures in March 2004 with two annual extensions at Consumers' option, which would extend the maturity to March 2006. The prior facility was due to expire in July 2003. At March 31, 2003, a total of $252 million was outstanding on all short-term financing at a weighted average interest rate of 6.22 percent, compared with $150 million outstanding at March 31, 2002 at a weighed average interest rate of 2.6 percent.

RESTRICTED PAYMENTS: Under the provisions of its articles of incorporation, Consumers had $423 million of unrestricted retained earnings available to pay common dividends at March 31, 2003. However, pursuant to restrictive covenants in its debt facilities, Consumers is limited to common stock dividend payments that will not exceed $300 million in any calendar year. In January 2003, Consumers declared and paid a $78 million common dividend. In March 2003, Consumers declared a $31 million common dividend payable in May 2003.

OTHER: At March 31, 2003, Consumers had, through its wholly owned subsidiary Consumers Receivables Funding, a $325 million trade receivable sale program in place as an anticipated source of funds for general corporate purposes. At March 31, 2003 and 2002, the receivables sold totaled $325 million for each year; the average annual discount rate was 1.57 percent and 2.15 percent, respectively. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold. On April 30, 2003, Consumers ended its trade receivable sale program with its then existing purchaser and anticipates that a new trade receivable program will be in place with a new purchaser in May 2003.

Under the program discussed above, Consumers sold accounts receivable but retained servicing responsibility. Consumers is responsible for the collectability of the accounts receivable sold, however, the purchaser of sale of accounts receivable have no recourse to Consumers' other assets for failure of debtors to pay when due and there are no restrictions on accounts receivables not sold. No gain or loss has been recorded on the sale of accounts receivable and Consumers retains no interest in the receivables sold.

REQUIRED RATIOS

CMS Energy's credit facilities have contractual restrictions that require CMS Energy to maintain certain ratios as of the last day of each fiscal quarter. Violation of these ratios would constitute an event of default under the facility which provides the lender, among other remedies, the right to declare the principal and interest immediately due and payable. At March 31, 2003, CMS Energy is in compliance with required ratios.

Required Ratio	Limitation	Ratio at March 31, 2003
Consolidated Leverage Ratio	not more than 7.00 to 1.00	5.84 to 1.00
Cash Dividend Coverage Ratio	not less than 1.20 to 1.00	1.73 to 1.00

In 1994, CMS Energy executed an indenture with J.P. Morgan Chase Bank pursuant to CMS Energy's general term notes program. The indenture, through supplements, contains certain provisions that can trigger a limitation on CMS Energy's consolidated indebtedness. The limitation can be activated when CMS Energy's consolidated leverage ratio, as defined in the indenture (essentially the ratio of consolidated debt to consolidated capital), exceeds 0.75 to 1.0. At March 31, 2003, CMS Energy's consolidated leverage ratio was 0.79 to 1.0. As a result, CMS Energy will not and will not permit certain material subsidiaries, excluding Consumers and its subsidiaries, to become liable for new indebtedness. However, CMS Energy and the material subsidiaries may incur revolving indebtedness to banks of up to $1 billion in the aggregate and refinance existing debt outstanding of CMS Energy and of its material subsidiaries. This leverage ratio may be significantly reduced with the proceeds of CMS Energy's sale of Panhandle, its sale of CMS Field Services, or other asset sales.

Effective January 1, 2003, CMS Energy adopted the provisions of FASB Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others. This interpretation requires additional disclosures by a guarantor about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provision of this Interpretation does not apply to certain guarantee contracts, such as warranties, derivatives, or guarantees between either parent and subsidiaries or corporations under common control, although disclosure of such guarantees is required. For contracts that are within the initial recognition and measurement provision of this Interpretation, the provisions are to be applied to guarantees issued or modified after December 31, 2002.

The following table is a summary of CMS Energy's guarantees as required by FASB Interpretation No. 45:

March 31, 2003 — In Millions

Guarantee Description	Issue Date	Expiration Date	Maximum Obligation	Carrying Amount(b)	Recourse Provision(c)
Indemnifications from asset sales and other agreements(a)	Various	Various	$1,694	$0.1	$ -
Letters of credit	Various	Various	283	-	-
Surety bonds and other indemnifications	Various	Various	241	-	-
Other guarantees	Various	Various	469	-	-
Nuclear insurance retrospective premiums	Various	Various	120	-	-

(a) The majority of this amount arises from routine provisions in stock and asset sales agreements under which the purchaser is indemnified by CMS Energy or a subsidiary for losses resulting from events such as failure of title to the assets or stock sold by CMS Energy or a subsidiary to the purchaser. CMS Energy believes the likelihood of a loss arising from such events to be remote.

(b) The carrying amount represents the fair market value of guarantees and indemnities on CMS Energy's balance sheet that are entered into subsequent to January 1, 2003.

(c) Recourse provision indicates the approximate recovery from third parties including assets held as collateral.

CMS Energy has entered into typical tax indemnity agreements in connection with a variety of transactions including transactions for the sale of subsidiaries and assets, equipment leasing and financing agreements. These indemnity agreements generally are not limited in amount and, while a maximum amount of exposure cannot be identified, the amount and probability of liability is considered remote.

The off-balance sheet commitments at March 31, 2003 are as follows:

Commercial Commitments — In Millions

		Commitment Expiration					
March 31	Total	2003	2004	2005	2006	2007	Beyond
Off-balance sheet:							
Guarantees	$ 469	$ 20	$ -	$ -	$ 4	$ -	$445
Indemnities	241	5	-	36	-	-	200
Letters of Credit	283	247	32	-	-	-	4
Total	$ 993	$ 272	$ 32	$ 36	$ 4	$ -	$649

CMS Energy and Enterprises, including subsidiaries, have guaranteed payment of obligations, through letters

of credit and surety bonds, of unconsolidated affiliates and related parties approximating $2.6 billion as of March 31, 2003. Included in this amount, Enterprises, in the ordinary course of business, has guarantees in place for contracts of CMS MST that contain certain schedule and performance requirements. As of March 31, 2003, the actual amount of financial exposure covered by these guarantees was $297 million. This amount excludes the guarantees associated with CMS MST's natural gas supply contract obligations totaling $252 million, which are recorded as liabilities on the Consolidated Balance Sheet at March 31, 2003. Management monitors and approves these obligations and believes it is unlikely that CMS Energy or Enterprises would be required to perform or otherwise incur any material losses associated with the above obligations.

CAPITALIZATION: The authorized capital stock of CMS Energy consists of 250 million shares of CMS Energy Common Stock and 10 million shares of CMS Energy Preferred Stock, $.01 par value.

COMPANY-OBLIGATED PREFERRED SECURITIES: CMS Energy and Consumers each have wholly-owned statutory business trusts that are consolidated with the respective parent company. CMS Energy and Consumers created their respective trusts for the sole purpose of issuing trust preferred securities. In each case, the primary asset of the trust is a note or debenture of the parent company. The terms of the trust preferred security parallel the terms of the related parent company note or debenture. The terms, rights and obligations of the trust preferred security and related note or debenture are also defined in the related indenture through which the note or debenture was issued, the parent guarantee of the related trust preferred security and the declaration of trust for the particular trust. All of these documents together with their related note or debenture and trust preferred security constitute a full and unconditional guarantee by the parent company of the trust's obligations under the trust preferred security. In addition to the similar provisions previously discussed, specific terms of the securities follow:

CMS Energy — In Millions

Trust and Securities	Rate (%)	Amount Outstanding		Maturity	Earliest Redemption
March 31		2003	2002		
CMS Energy Trust I (a)	7.75	$173	$173	2027	2001
CMS Energy Trust II (b)	8.75	-	301	2004	-
CMS Energy Trust III (c)	7.25	220	220	2004	-
Total Amount Outstanding		$393	$694		

(a) Represents Quarterly Income Preferred Securities that are convertible into 1.2255 shares of CMS Energy Common Stock (equivalent to a conversion price of $40.80). Effective July 2001, CMS Energy can revoke the conversion rights if certain conditions are met.
(b) On July 1, 2002, the 7,250,000 units of Adjustable Convertible Preferred Securities were converted to 8,787,725 newly issued shares of CMS Energy Common Stock.
(c) Represents Premium Equity Participating Security Units in which holders are obligated to purchase a variable number of shares of CMS Energy Common Stock by the August 2003 conversion date.

Consumers Energy Company — In Millions

Trust and Securities	Rate (%)	Amount Outstanding		Maturity	Earliest Redemption
March 31		2003	2002		
Consumers Power Company Financing I, Trust Originated Preferred Securities	8.36	$ 70	$ 70	2015	2000
Consumers Energy Company Financing II, Trust Originated Preferred Securities	8.20	120	120	2027	2002

Consumers Energy Company Financing III, Trust Originated Preferred Securities	9.25	175	175	2029	2004
Consumers Energy Company Financing IV, Trust Preferred Securities	9.00	125	125	2031	2006
Total Amount Outstanding		$490	$ 490		

6: EARNINGS PER SHARE

The following table presents a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

In Millions, Except Per Share Amounts		
Three Months Ended March 31	2003	2002
Net Income Attributable to Common Stock:		
CMS Energy - Basic	$ 79	$ 42
Add conversion of Trust Preferred Securities (net of tax)	5	2
CMS Energy - Diluted	$ 84	$ 44
Average Common Shares Outstanding Applicable to Basic and Diluted EPS		
CMS Energy:		
Average Shares - Basic	144.1	133.3
Add conversion of Trust Preferred Securities	20.9	4.2
Average Shares - Diluted	165.0	137.5
Earnings Per Average Common Share		
Basic	$ 0.55	$ 0.32
Diluted	$ 0.51	$ 0.32

7: RISK MANAGEMENT ACTIVITIES AND FINANCIAL INSTRUMENTS

The objective of the CMS Energy risk management policy is to analyze, manage and coordinate the identified risk exposures of the individual business segments and to exploit the presence of internal hedge opportunities that exist among its diversified business segments. CMS Energy, on behalf of its regulated and non-regulated subsidiaries, utilizes a variety of derivative instruments for both trading and non-trading purposes and executes these transactions with external parties through either CMS Enterprises or its marketing subsidiary, CMS MST. These derivative instruments include futures contracts, swaps, options and forward contracts to manage exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. In order for derivative instruments to qualify for hedge accounting under SFAS No. 133, the hedging relationship must be formally documented at inception and be highly effective in achieving offsetting cash flows or offsetting changes in fair value attributable to the risk being hedged.

Derivative instruments contain credit risk if the counterparties, including financial institutions and energy marketers, fail to perform under the agreements. CMS Energy minimizes such risk by performing financial

credit mitigation programs including, among other things, using publicly available credit ratings of such counterparties, internally developed statistical models for credit scoring and use of internal hedging programs to minimize exposure to external counterparties. No material nonperformance is expected.

COMMODITY DERIVATIVES: Commodity contracts have been accounted for in accordance with the requirements of SFAS No. 133, as amended and interpreted, and may or may not qualify for hedge accounting treatment depending on the characteristics of each contract.

DERIVATIVE INSTRUMENTS: CMS Energy adopted SFAS No. 133 on January 1, 2001. This standard requires CMS Energy to recognize at fair value on the balance sheet, as assets or liabilities, all contracts that meet the definition of a derivative instrument. The standard also requires CMS Energy to record all changes in fair value directly in earnings unless the derivative instrument meets certain qualifying cash flow hedge criteria, in which case the changes in fair value would be reflected in other comprehensive income. CMS Energy determines fair value based upon quoted market prices and mathematical models using current and historical pricing data. The ineffective portion, if any, of all hedges is recognized in earnings.

CMS Energy believes that the majority of its contracts, power purchase agreements and gas transportation contracts qualify for the normal purchases and sales exception of SFAS No. 133 and are not subject to the accounting rules for derivative instruments. CMS Energy uses derivative instruments that require derivative accounting, to limit its exposures to electricity and gas commodity price risk. The interest rate and foreign currency exchange contracts met the requirements for hedge accounting under SFAS No. 133 and CMS Energy recorded the changes in the fair value of these contracts in other comprehensive income.

ELECTRIC CONTRACTS: Consumers' electric business uses purchased electric call option contracts to meet, in part, its regulatory obligation to serve. This obligation requires Consumers to provide a physical supply of electricity to customers, to manage electric costs and to ensure a reliable source of capacity during peak demand periods. As of March 31, 2003, Consumers recorded on the balance sheet all of its unexpired purchased electric call option contracts subject to derivative accounting at a fair value of $1 million. These contracts will expire in the third quarter of 2003.

Consumers believes that certain of its electric capacity and energy contracts are not derivatives due to the lack of an active energy market in the state of Michigan, as defined by SFAS No. 133, and the transportation cost to deliver the power under the contracts to the closest active energy market at the Cinergy hub in Ohio. If a market develops in the future, Consumers may be required to account for these contracts as derivatives. The mark-to-market impact in earnings related to these contracts, particularly related to the PPA could be material to the financial statements.

During 2002, Consumers' electric business also used gas swap contracts to protect against price risk due to the fluctuations in the market price of gas used as fuel for generation of electricity. These gas swaps were financial contracts that were used to offset increases in the price of probable forecasted gas purchases. These contracts did not qualify for hedge accounting. Therefore, Consumers recorded any change in the fair value of these contracts directly in earnings as part of power supply costs. As of March 31, 2002, these contracts had a fair value of $1 million. These contracts expired in December 2002.

As of March 31, 2003, Consumers recorded a total of $11 million, net of tax, as an unrealized gain in other comprehensive income related to its proportionate share of the effects of derivative accounting related to its equity investment in the MCV Partnership. Consumers expects to reclassify this gain, if this value remains, as an increase to other operating revenue during the next 12 months.

GAS CONTRACTS: Consumers' gas business uses fixed price gas supply contracts, and fixed price weather-

based gas supply call options and fixed price gas supply put options, and other types of contracts, to meet its regulatory obligation to provide gas to its customers at a reasonable and prudent cost. During 2002, some of the fixed price gas supply contracts and the weather-based gas call options and gas put options required derivative accounting. The fixed price gas supply contracts expired in October 2002, and the weather-based gas call options and gas put options expired in February 2003. As of March 31, 2003, Consumers did not have any gas supply related contracts that required derivative accounting.

INTEREST RATE RISK CONTRACTS: Consumers uses interest rate swaps to hedge the risk associated with forecasted interest payments on variable-rate debt. These interest rate swaps are designated as cash flow hedges. As such, Consumers will record any change in the fair value of these contracts in other comprehensive income unless the swaps are sold. As of March 31, 2003 and March 31, 2002, Consumers had entered into a swap to fix the interest rate on $75 million of variable-rate debt. This swap will expire in June 2003. As of March 31, 2003, this interest rate swap had a negative fair value of $1 million. This amount, if sustained, will be reclassified to earnings, increasing interest expense when the swap is settled on a monthly basis. As of March 31, 2002, this interest rate swap had a negative fair value of $2 million.

Consumers also uses interest rate swaps to hedge the risk associated with the fair value of its debt. These interest rate swaps are designated as fair value hedges. In March 2002, Consumers entered into a fair value hedge to hedge the risk associated with the fair value of $300 million of fixed-rate debt, issued in March 2002. As of March 31, 2002, the swap had a negative fair value of less than $1 million. In June 2002, this swap was terminated and resulted in a $7 million gain that is deferred and recorded as part of the debt. It is anticipated that this gain will be recognized over the remaining life of the debt.

Consumers was able to apply the shortcut method to all interest rate hedges, therefore there was no ineffectiveness associated with these hedges.

ENERGY TRADING ACTIVITIES: CMS Energy, through its subsidiary CMS MST, engages in trading activities. CMS MST manages any open positions within certain guidelines that limit its exposure to market risk and requires timely reporting to management of potential financial exposure. These guidelines include statistical risk tolerance limits using historical price movements to calculate daily value at risk measurements. Through December 31, 2002, CMS MST's wholesale power and gas trading activities were accounted for under the mark-to-market method of accounting. Effective, January 1, 2003, EITF Issue No. 98-10 was rescinded by EITF Issue No. 02-03 and as a result, only energy contracts that meet the definition of a derivative in SFAS No. 133 can be carried at fair value. The impact of this change for CMS MST was recognized as a cumulative effect of a change in accounting principle of $(23) million, net of tax. See Note 10, Adoption of New Accounting Standards. Under mark-to-market accounting, energy-trading contracts are reflected at fair market value, net of reserves, with unrealized gains and losses recorded as an asset or liability in the consolidated balance sheets. These assets and liabilities are affected by the timing of settlements related to these contracts, current-period changes from newly originated transactions and the impact of price movements. Changes in fair value are recognized as revenues in the consolidated statements of income in the period in which the changes occur. Market prices used to value outstanding financial instruments reflect management's consideration of, among other things, closing exchange and over-the-counter quotations. In certain contracts, long-term commitments may extend beyond the period in which market quotations for such contracts are available and volumetric obligations may not be defined. Mathematical models are developed to determine various inputs into the fair value calculation including price, anticipated volumetric obligations and other inputs that may be required to adequately address the determination of fair value of the contracts. Realized cash returns on these commitments may vary, either positively or negatively, from the results estimated through application of the mathematical model. CMS Energy believes that its mathematical models utilize state-of-the-art technology, pertinent industry data and prudent discounting in order to forecast certain elongated pricing curves. Market prices are adjusted to reflect the impact of liquidating the company's position in an orderly manner over a reasonable period of time under present market conditions.

In connection with the market valuation of its energy commodity contracts, CMS Energy maintains reserves for credit risks based on the financial condition of counterparties. The creditworthiness of these counterparties will impact overall exposure to credit risk; however, CMS Energy maintains credit policies that management believes minimize overall credit risk with regard to its counterparties. Determination of its counterparties' credit quality is based upon a number of factors, including credit ratings, financial condition, and collateral requirements. When trading terms permit, CMS Energy employs standard agreements that allow for netting of positive and negative exposures associated with a single counterparty. Based on these policies, its current exposures and its credit reserves, CMS Energy does not anticipate a material adverse effect on its financial position or results of operations as a result of counterparty nonperformance.

At March 31 2003 and 2002, CMS Energy has recorded a net price risk management asset of $7 million and $103 million respectively, net of reserves, related to the unrealized mark-to-market gains on existing wholesale power contracts, gas contracts, and hedges for retail activities that are marked as derivatives.

FLOATING TO FIXED INTEREST RATE SWAPS: CMS Energy and its subsidiaries enter into floating to fixed interest rate swap agreements to reduce the impact of interest rate fluctuations. These swaps are designated as cash flow hedges and the difference between the amounts paid and received under the swaps is accrued and recorded as an adjustment to interest expense over the term of the agreement. Changes in the fair value of these swaps are recorded in accumulated other comprehensive income until the swaps are terminated. As of March 31, 2003, these swaps had a negative fair value of $4 million that if sustained, will be reclassified to earnings as the swaps are settled on a quarterly basis.

Notional amounts reflect the volume of transactions but do not represent the amount exchanged by the parties to the financial instruments. Accordingly, notional amounts do not necessarily reflect CMS Energy's exposure to credit or market risks. As of March 31, 2003 and 2002, the weighted average interest rate associated with outstanding swaps was approximately 5.2 percent.

In Millions

Floating to Fixed Interest Rate Swaps	Notional Amount	Maturity Date	Fair Value	Unrealized Gain (Loss)
March 31, 2003	$ 294	2003-2006	$(4)	$ 3
March 31, 2002	$ 295	2003-2006	$(7)	$ 4

FIXED TO FLOATING INTEREST RATE SWAPS: CMS Energy monitors its debt portfolio mix of fixed and variable rate instruments and from time to time enters into fixed to floating rate swaps to maintain the optimum mix of fixed and floating rate debt. These swaps are designated as fair value hedges and any realized gains or losses in the fair value are amortized to earnings after the termination of the hedge instrument over the remaining life of the hedged item. There were no outstanding fixed to floating interest rate swaps as of March 31, 2003.

In Millions

Fixed to Floating Interest Rate Swaps	Notional Amount	Maturity Date	Fair Value	Unrealized Gain (Loss)
March 31, 2003	$ -	--	$ -	$ -
March 31, 2002	$ 822	2004-2005	$(3)	$ (2)

FOREIGN EXCHANGE DERIVATIVES: CMS Energy uses forward exchange and option contracts to hedge certain receivables, payables, long-term debt and equity value relating to foreign investments. The purpose of CMS Energy's foreign currency hedging activities is to protect the company from the risk that U.S. dollar net cash flows resulting from sales to foreign customers and purchases from foreign suppliers and the repayment of

non-U.S. dollar borrowings as well as equity reported on the company's balance sheet, may be adversely affected by changes in exchange rates. These contracts do not subject CMS Energy to risk from exchange rate movements because gains and losses on such contracts offset losses and gains, respectively, on assets and liabilities being hedged. The estimated fair value of the foreign exchange and option contracts at March 31, 2003 and 2002 2002 was zero 2003 and $(6) million, respectively; representing the amount CMS Energy would receive or (pay) upon settlement.

There were no outstanding foreign exchange contracts at March 31, 2003. Foreign exchange contracts outstanding as of March 31, 2002 had a total notional amount of $152 million. Of this amount, $100 million is related to CMS Energy's investments in Brazil, $25 million is related to CMS Energy's investments in Australia, and $27 million in Euro hedges.

FINANCIAL INSTRUMENTS: The carrying amounts of cash, short-term investments and current liabilities approximate their fair values due to their short-term nature. The estimated fair values of long-term investments are based on quoted market prices or, in the absence of specific market prices, on quoted market prices of similar investments or other valuation techniques. Judgment may also be required to interpret market data to develop certain estimates of fair value. Accordingly, the estimates determined as of March 31, 2003 and 2002 are not necessarily indicative of the amounts that may be realized in current market exchanges. The carrying amounts of all long-term investments in financial instruments, except for those as shown below, approximate fair value.

In Millions

As of March 31	2003			2002		
	Carrying Cost	Fair Value	Unrealized Gain(Loss)	Carrying Cost	Fair Value	Unrealized Gain(Loss)
Long-Term Debt (a)	$5,212	$5,112	$(100)	$5,475	$5,422	$(53)
Preferred Stock and Trust Preferred Securities	927	664	(263)	1,228	1,125	(103)

(a) Settlement of long-term debt is generally not expected until maturity.

8: EQUITY METHOD INVESTMENTS

Certain of CMS Energy's investments in companies, partnerships and joint ventures, where ownership is more than 20 percent but less than a majority, are accounted for by the equity method of accounting in accordance with APB Opinion No. 18. For the three months ended March 31, 2003 and 2002, net income included undistributed earnings of $31 million and $34 million, respectively, from these investments. The most significant of these investments is CMS Energy's 50 percent interest in Jorf Lasfar and its 49 percent interest in the MCV Partnership. Summarized income statement information of CMS Energy's most significant equity method investments follows.

Income Statement Data

In Millions

Three Months Ended March 31, 2003	Jorf Lasfar	MCV	Total
Operating revenue	$ 90	$153	$243
Operating expenses	43	100	143
Operating income	47	53	100
Other expense, net	19	28	47
Net income	$ 28	$ 25	$ 53

Three Months Ended March 31, 2002	Jorf Lasfar	MCV	Total
			In Millions
Operating revenue	$ 96	$149	$245
Operating expenses	48	109	157
Operating income	48	40	88
Other expense, net	11	29	40
Net income	$ 37	$ 11	$ 48

9: REPORTABLE SEGMENTS

CMS Energy's reportable segments are strategic business units organized and managed by the nature of the products and services each provides. Management evaluates performance based upon the net income of each segment. Previously, CMS Energy operated in five reportable segments: electric utility, gas utility, natural gas transmission, independent power production and marketing, services and trading. As a result of recent changes in its business strategy, including the sale of non-strategic and under-performing assets, and management reorganization, CMS Energy now operates principally in the following three reportable segments: electric utility, gas utility, and enterprises.

The electric utility segment consists of regulated activities associated with the generation, transmission and distribution of electricity in the state of Michigan through its subsidiary, Consumers. The gas utility segment consists of regulated activities associated with the transportation, storage and distribution of natural gas in the state of Michigan through its subsidiary, Consumers. The enterprises segment consists of investing in, acquiring, developing, constructing, managing and operating non-utility power generation plants and natural gas facilities in the United States and abroad; and providing gas, oil, and electric marketing services to energy users.

The Consolidated Statements of Income reflect operating revenue and operating income by reportable segment. Intersegment sales and transfers are accounted for at current market prices and are eliminated in consolidated operating income by segment. The table below shows net income by reportable segment. The "Other" segment includes corporate interest and other, discontinued operations and the cumulative effect of accounting changes. The 2002 information has been restated to reflect the management reorganization and the change in CMS Energy's business strategy from five to three operating segments.

Reportable Segments		In Millions
		Restated
Three Months Ended March 31	2003	2002
Net Income		
Electric utility	$ 51	$ 50
Gas utility	54	28
Enterprises	23	66
Other	(49)	(102)
	$ 79	$ 42

10. ADOPTION OF NEW ACCOUNTING STANDARDS

SFAS NO. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS: Effective January 1, 2003, CMS Energy adopted SFAS No. 143. The new standard requires companies to record the fair value of the legal obligation related to asset retirements in the period in which the obligation is incurred. CMS Energy has determined that it has legal asset retirement obligations, particularly in regard to Consumers' nuclear plants.

Prior to adoption of SFAS No. 143, Consumers classified the removal cost liability of assets included in the scope of SFAS No. 143 as part of the reserve for accumulated depreciation. For these assets, the removal cost of $448 million which was classified as part of the reserve at December 31, 2002, was reclassified in January 2003, in part, as 1) a $364 million ARO liability, 2) a $136 million regulatory liability, 3) A $45 million regulatory asset, and 4) a $7 million net increase to property, plant, and equipment, as prescribed by SFAS No. 143. As required by SFAS No. 71 for regulated entities, Consumers is reflecting a regulatory asset and liability instead of a cumulative effect of a change in accounting principle.

The fair value of ARO liabilities has been calculated using an expected present value technique. This technique reflects assumptions, such as costs, inflation, and profit margin that third parties would consider in order to take on the settlement of the obligation. Fair value, to the extent possible, should include a market risk premium for unforeseeable circumstances. No market risk premium was included in Consumers' ARO fair value estimate since a reasonable estimate could not be made. If a five percent market risk premium was assumed, Consumers' ARO liability would be $381 million.

If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, such as assets with an indeterminate life, the liability will be recognized when a reasonable estimate of fair value can be made. Generally, mass property such as transmission and distribution assets have an indeterminate life, retirement cash flows cannot be determined and there is a low probability of a retirement date, therefore no liability has been recorded for these assets. No liability has been recorded for assets that have an immaterial cumulative disposal cost, such as substation batteries. The initial measurement of the ARO liability for Consumers' Palisades Nuclear Plant and Big Rock Nuclear Plant is based on decommissioning studies, which are based largely on third party cost estimates.

In addition, at March 31, 2003, CMS Energy recorded an ARO liability for certain pipelines and non-utility generating plants and a $1 million, net of tax, cumulative effect of change in accounting for accretion and depreciation expense for ARO liabilities incurred prior to 2003. The pro forma effect on results of operations would not be material for the three months ended March 31, 2002.

The following table is a general description of the AROs and their associated long-lived assets.

March 31, 2003			In Millions
ARO Description	In Service Date	Long Lived Assets	Trust Fund
Palisades - decommission plant site	1972	Palisades nuclear plant	$ 426
Big Rock - decommission plant site	1962	Big Rock nuclear plant	103
JHCampbell intake/discharge water line	1980	Plant intake/discharge water line	-
Closure of coal ash disposal areas	Various	Generating plants coal ash areas	-
Closure of wells at gas storage fields	Various	Gas storage fields	-
Indoor gas services equipment relocations	Various	Gas meters located inside structures	-
Closure of gas pipelines	Various	Gas transmission pipelines	-
Dismantle natural gas-fired power plant	1997	Gas fueled power plant	-

The following table is a reconciliation of the carrying amount of the AROs:

March 31, 2003							In Millions
	Pro Forma ARO liability		ARO Liability			Cash flow	
ARO	1/1/02	1/1/03	Incurred	Settled	Accretion	Revisions	3/31/03
Palisades - decommission	$232	$249	$ -	$ -	$ 4	$ -	$ 253
Big Rock - decommission	94	61	-	(7)	3	-	57
JHCampbell intake line	-	-	-	-	-	-	-
Coal ash disposal areas	46	51	-	-	1	-	52
Wells at gas storage fields	2	2	-	-	-	-	2
Indoor gas services relocations	1	1	-	-	-	-	1
Closure of gas pipelines (a)	7	8	-	-	-	-	8
Dismantle natural gas-fired power plant	1	1	-	-	-	-	1
Total	$383	$373	$ -	$ (7)	$ 8	$ -	$ 374

(a) Amounts are included in discontinued operations.

SFAS NO. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES: Issued by the FASB in July 2002, this standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This standard is effective for exit or disposal activities initiated after December 31, 2002.

EITF ISSUE NO. 02-03, "RECOGNITION AND REPORTING OF GAINS AND LOSSES ON ENERGY TRADING CONTRACTS UNDER EITF ISSUES NO. 98-10 AND 00-17": At the October 25,2002 meeting, the EITF reached a consensus to rescind EITF Issue No. 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities. As a result, only energy contracts that meet the definition of a derivative in SFAS No. 133 will be carried at fair value. Energy trading contracts that do not meet the definition of a derivative must be accounted for as an executory contract (i.e., on an accrual basis). The consensus rescinding EITF Issue No. 98-10 was required to be applied to all contracts that existed as of October 25, 2002 and was required to be recognized as a cumulative effect of a change in accounting principle in accordance with APB Opinion No. 20, Accounting Changes, effective the first day of the first interim or annual period beginning after December 15, 2002. The consensus also was required to be applied immediately to all new contracts entered into after October 25, 2002. The full adoption of EITF Issue No. 02-03 effective January 1, 2003, resulted in CMS Energy recognizing a cumulative effect of change in accounting principle loss of ($23) million, net of tax, for the three months ended March 31, 2003.

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CONSUMERS ENERGY COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Consumers, a subsidiary of CMS Energy, a holding company, is an electric and gas utility company that provides service to customers in Michigan's Lower Peninsula. Consumers' customer base includes a mix of residential, commercial and diversified industrial customers, the largest segment of which is the automotive industry.

FORWARD-LOOKING STATEMENTS AND RISK FACTORS

This MD&A refers to, and in some sections specifically incorporates by reference, Consumers' Notes to Consolidated Financial Statements and should be read in conjunction with such Consolidated Financial Statements and Notes. This Form 10-Q and other written and oral statements that Consumers may make contain forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Consumers' intentions with the use of the words, "anticipates," "believes," "estimates," "expects," "intends," and "plans," and variations of such words and similar expressions, are solely to identify forward-looking statements that involve risk and uncertainty. These forward-looking statements are subject to various factors that could cause Consumers' actual results to differ materially from the results anticipated in such statements. Consumers has no obligation to update or revise forward-looking statements regardless of whether new information, future events or any other factors affect the information contained in such statements. Consumers does, however, discuss certain risk factors, uncertainties and assumptions in this MD&A and in Item 1 of the 2002 Form 10-K in the section entitled "Forward-Looking Statements Cautionary Factors" and in various public filings it periodically makes with the SEC. Consumers designed this discussion of potential risks and uncertainties, which is by no means comprehensive, to highlight important factors that may impact Consumers' business and financial outlook. This Form 10-Q also describes material contingencies in Consumers' Condensed Notes to Consolidated Financial Statements, and Consumers encourages its readers to review these Notes. All note references within this MD&A refer to Consumers' Notes to Consolidated Financial Statements.

CRITICAL ACCOUNTING POLICIES

Presenting financial statements in accordance with accounting principles generally accepted in the United States requires using estimates, assumptions, and accounting methods that are often subject to judgment. Presented below, are the accounting policies and assumptions that Consumers believes are most critical to both the presentation and understanding of its financial statements. Applying these accounting policies to financial statements can involve very complex judgments. Accordingly, applying different judgments, estimates or assumptions could result in a different financial presentation.

USE OF ESTIMATES IN ACCOUNTING FOR CONTINGENCIES

The principles in SFAS No. 5 guide the recording of estimated liabilities for contingencies within the financial statements. SFAS No. 5 requires a company to record estimated liabilities in the financial statements when a current event has caused a probable future loss payment of an amount that can be reasonably estimated. Consumers has used this accounting principle to record estimated liabilities for the following significant events.

ELECTRIC ENVIRONMENTAL ESTIMATES: Consumers is subject to costly and increasingly stringent environmental regulations. Consumers expects to incur significant costs for future environmental compliance, especially compliance with clean air laws.

The EPA has issued regulations regarding nitrogen oxide emissions from certain generators, including some of Consumers' electric generating facilities. These regulations require Consumers to make significant capital expenditures estimated to be $770 million. As of March 31, 2003, Consumers has incurred $420 million in capital expenditures to comply with these regulations and anticipates that the remaining capital expenditures will be incurred between 2003 and 2009. Additionally, Consumers expects to supplement its compliance plan with the purchase of nitrogen oxide emissions credits in the years 2005 through 2008. The cost of these credits based on the current market is estimated to average $6 million per year; however, the market for nitrogen oxide emissions credits and their cost can change significantly. At some point, if new environmental standards become effective, Consumers may need additional capital expenditures to comply with the standards. For further information see Note 2, Uncertainties, "Electric Contingencies - Electric Environmental Matters."

GAS ENVIRONMENTAL ESTIMATES: Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will incur investigation and remedial action costs at a number of sites. Consumers estimates the costs for 23 former manufactured gas plant sites will be between $82 million and $113 million, using the Gas Research Institute-Manufactured Gas Plant Probabilistic Cost Model. These estimates are based on discounted 2001 costs and follow EPA recommended use of discount rates between three and seven percent. Consumers expects to recover a significant portion of these costs through MPSC-approved rates charged to its customers. Any significant change in assumptions, such as remediation techniques, nature and extent of contamination, and legal and regulatory requirements, could change the remedial action costs for the sites. For further information see Note 2, Uncertainties, "Gas Contingencies - Gas Environmental Matters."

MCV UNDERRECOVERIES: The MCV Partnership, which leases and operates the MCV Facility, contracted to sell electricity to Consumers for a 35-year period beginning in 1990 and to supply electricity and steam to Dow. Consumers, through two wholly owned subsidiaries, holds a 49 percent partnership interest in the MCV Partnership, and a 35 percent lessor interest in the MCV Facility.

Consumers' annual obligation to purchase capacity from the MCV Partnership is 1,240 MW through the term of the PPA ending in 2025. The PPA requires Consumers to pay, based on the MCV Facility's availability, a levelized average capacity charge of 3.77 cents per kWh and a fixed energy charge, and also to pay a variable energy charge based primarily on Consumers' average cost of coal consumed for all kWh delivered. Consumers has not been allowed full recovery of the capacity and fixed energy charges in rates. After September 2007, the PPA's regulatory out terms obligate Consumers to pay the MCV Partnership only those capacity and energy charges that the MPSC has authorized for recovery from electric customers.

In 1992, Consumers recognized a loss and established a PPA liability for the present value of the estimated future underrecoveries of power supply costs under the PPA based on MPSC cost recovery orders. Primarily as a result of the MCV Facility's actual availability being greater than management's original estimates, the PPA liability has been reduced at a faster rate than originally anticipated. At March 31, 2003 and 2002, the remaining after-tax present value of the estimated future PPA liability associated with the loss totaled $30 million and $46 million, respectively. The PPA liability is expected to be depleted in late 2004.

In March 1999, Consumers and the MCV Partnership reached a settlement agreement effective January 1, 1999, that addressed, among other things, the ability of the MCV Partnership to count modifications increasing the capacity of the existing MCV Facility for purposes of computing the availability of contract capacity under the PPA for billing purposes. That settlement agreement capped payments made on the basis of availability that may be billed by the MCV Partnership at a maximum 98.5 percent availability level.

When Consumers returns, as expected, to unfrozen rates beginning in 2004, Consumers will recover from customers capacity and fixed energy charges on the basis of availability, to the extent that availability does

not exceed 88.7 percent availability established in previous MPSC orders. For capacity and energy payments billed by the MCV Partnership after September 15, 2007, and not recovered from customers, Consumers would expect to claim a regulatory out under the PPA. The regulatory out provision relieves Consumers of the obligation to pay more for capacity and energy payments than the MPSC allows Consumers to collect from its customers. Consumers estimates that 51 percent of the actual cash underrecoveries for the years 2003 and 2004 will be charged to the PPA liability, with the remaining portion charged to operating expense as a result of Consumers' 49 percent ownership in the MCV Partnership. All cash underrecoveries will be expensed directly to income once the PPA liability is depleted. If the MCV Facility's generating availability remains at the maximum 98.5 percent level during the next five years, Consumers' after-tax cash underrecoveries associated with the PPA could be as follows:

In Millions

	2003	2004	2005	2006	2007
Estimated cash underrecoveries at 98.5%, net of tax	$37	$36	$36	$36	$25
Amount to be charged to operating expense, net of tax	$18	$18	36	$36	$25
Amount to be charged to PPA liability, net of tax	$19	$18	$--	$--	$--

In February 1998, the MCV Partnership appealed the January 1998 and February 1998 MPSC orders related to electric utility restructuring. At the same time, MCV Partnership filed suit in the United States District Court in Grand Rapids seeking a declaration that the MPSC's failure to provide Consumers and MCV Partnership a certain source of recovery of capacity payments after 2007 deprived MCV Partnership of its rights under the Public Utilities Regulatory Policies Act of 1978. In July 1999, the District Court granted MCV Partnership's motion for summary judgment. The Court permanently prohibited enforcement of the restructuring orders in any manner that denies any utility the ability to recover amounts paid to qualifying facilities such as the MCV Facility or that precludes the MCV Partnership from recovering the avoided cost rate. The MPSC appealed the Court's order to the 6th Circuit Court of Appeals in Cincinnati. In June 2001, the 6th Circuit overturned the lower court's order and dismissed the case against the MPSC. The appellate court determined that the case was premature and concluded that the qualifying facilities needed to wait until 2008 for an actual factual record to develop before bringing claims against the MPSC in federal court.

For further information see Note 2, Uncertainties, "Other Electric Uncertainties - - The Midland Cogeneration Venture."

ACCOUNTING FOR DERIVATIVE AND FINANCIAL INSTRUMENTS AND MARKET RISK INFORMATION

DERIVATIVE INSTRUMENTS: Consumers uses the criteria in SFAS No. 133, as amended and interpreted, to determine if certain contracts must be accounted for as derivative instruments. The rules for determining whether a contract meets the criteria for derivative accounting are numerous and complex. As a result, significant judgment is required to determine whether a contract requires derivative accounting, and similar contracts can sometimes be accounted for differently.

Consumers currently accounts for the following contracts as derivative instruments: interest rate swaps, certain electric call options, fixed priced weather-based gas supply call options and fixed price gas supply put options. Consumers does not account for the following contracts as derivative instruments: electric capacity and energy contracts, gas supply contracts without embedded options, coal and nuclear fuel supply contracts, and purchase orders for numerous supply items.

Consumers believes that certain of its electric capacity and energy contracts are not derivatives due to the lack of an active energy market in the state of Michigan, as defined by SFAS No. 133, and the transportation cost

to deliver the power under the contracts to the closest active energy market at the Cinergy hub in Ohio. If a market develops in the future, Consumers may be required to account for these contracts as derivatives. The mark-to-market impact on earnings related to these contracts, particularly related to the PPA, could be material to the financial statements.

If a contract is accounted for as a derivative instrument, it is recorded in the financial statements as an asset or a liability, at the fair value of the contract. Any difference between the recorded book value and the fair value is reported either in earnings or other comprehensive income, depending on certain qualifying criteria. The recorded fair value of the contract is then adjusted quarterly to reflect any change in the market value of the contract.

In order to determine the fair value of contracts that are accounted for as derivative instruments, Consumers uses a combination of quoted market prices and mathematical models. Option models require various inputs, including forward prices, volatilities, interest rates and exercise periods. Changes in forward prices or volatilities could significantly change the calculated fair value of the call option contracts. At March 31, 2003, Consumers assumed a market-based interest rate of 4.5 percent and a volatility rate of 107.5 percent in calculating the fair value of its electric call options.

In order for derivative instruments to qualify for hedge accounting under SFAS No. 133, the hedging relationship must be formally documented at inception and be highly effective in achieving offsetting cash flows or offsetting changes in fair value, attributable to the risk being hedged. If hedging a forecasted transaction, the forecasted transaction must be probable. If a derivative instrument, used as a cash flow hedge, is terminated early because it is probable that a forecasted transaction will not occur, any gain or loss as of such date is immediately recognized in earnings. If a derivative instrument, used as a cash flow hedge, is terminated early for other economic reasons, any gain or loss as of the termination date is deferred and recorded when the forecasted transaction affects earnings.

FINANCIAL INSTRUMENTS: Consumers accounts for its debt and equity investment securities in accordance with SFAS No. 115. As such, debt and equity securities can be classified into one of three categories: held-to-maturity, trading, or available-for-sale securities. Consumers' investments in equity securities, including its investment in CMS Energy Common Stock, are classified as available-for-sale securities. They are reported at fair value, with any unrealized gains or losses from changes in fair value reported in equity as part of other comprehensive income and excluded from earnings unless such changes in fair value are other than temporary. In 2002, Consumers determined that the decline in value related to its investment in CMS Energy Common Stock was other than temporary as the fair value was below the cost basis for a period greater than six months. As a result, Consumers recognized a loss on its investment in CMS Energy Common Stock through earnings of $12 million in the fourth quarter of 2002, and an additional $12 million in the first quarter of 2003. As of March 31, 2003, Consumers held 2.4 million shares of CMS Energy Common Stock with a fair value of $10 million. Unrealized gains or losses from changes in the fair value of Consumers' nuclear decommissioning investments are reported as regulatory liabilities. The fair value of these investments is determined from quoted market prices.

MARKET RISK INFORMATION: Consumers is exposed to market risks including, but not limited to, changes in interest rates, commodity prices, and equity security prices. Consumers' market risk, and activities designed to minimize this risk, are subject to the direction of an executive oversight committee consisting of designated members of senior management and a risk committee, consisting of certain business unit managers. The role of the risk committee is to review the corporate commodity position and ensure that net corporate exposures are within the economic risk tolerance levels established by Consumers' Board of Directors. Established policies and procedures are used to manage the risks associated with market fluctuations.

Consumers uses various contracts, including swaps, options, and forward contracts to manage its risks

associated with the variability in expected future cash flows attributable to fluctuations in interest rates and commodity prices. When management uses these instruments, it intends that an opposite movement in the value of the at-risk item would offset any losses incurred on the contracts. Contracts used to manage interest rate and commodity price risk may be considered derivative instruments that are subject to derivative and hedge accounting pursuant to SFAS No. 133. Consumers enters into all risk management contracts for purposes other than trading.

These instruments contain credit risk if the counterparties, including financial institutions and energy marketers, fail to perform under the agreements. Consumers minimizes such risk by performing financial credit reviews using, among other things, publicly available credit ratings of such counterparties.

In accordance with SEC disclosure requirements, Consumers performs sensitivity analyses to assess the potential loss in fair value, cash flows and earnings based upon a hypothetical 10 percent adverse change in market rates or prices. Management does not believe that sensitivity analyses alone provide an accurate or reliable method for monitoring and controlling risks. Therefore, Consumers relies on the experience and judgment of its senior management to revise strategies and adjust positions, as it deems necessary. Losses in excess of the amounts determined in sensitivity analyses could occur if market rates or prices exceed the 10 percent shift used for the analyses.

INTEREST RATE RISK: Consumers is exposed to interest rate risk resulting from the issuance of fixed-rate financing and variable-rate financing, and from interest rate swap agreements. Consumers uses a combination of these instruments to manage and mitigate interest rate risk exposure when it deems it appropriate, based upon market conditions. These strategies attempt to provide and maintain the lowest cost of capital. As of March 31, 2003 and 2002, Consumers had outstanding $1.324 billion and $1.329 billion of variable-rate financing, respectively, including variable-rate swaps and fixed-rate swaps. At March 31, 2003 and 2002, assuming a hypothetical 10 percent adverse change in market interest rates, Consumers' before tax earnings exposure on its variable-rate financing would be $2 million and $3 million, respectively. As of March 31, 2003 and 2002, Consumers had entered into a floating-to-fixed interest rate swap agreement for a notional amount of $75 million, and as of March 31, 2002 a variable-to-fixed interest rate swap agreement for a notional of $300 million. These swaps exchange variable-rate interest payment obligations for fixed-rate interest payment obligations, or fixed-rate interest payment obligations for variable-rate interest payment obligations in order to minimize the impact of potential adverse interest rate changes. As of March 31, 2003 and 2002, Consumers had outstanding fixed-rate financing, including fixed and variable-rate swaps, of $2.756 billion and $2.477 billion, respectively, with a fair value of $2.690 billion and $2.769 billion, respectively. As of March 31, 2003 and 2002, assuming a hypothetical 10 percent adverse change in market rates, Consumers would have an exposure of $131 million and $144 million, respectively, to the fair value of these instruments if it had to refinance all of its fixed-rate financing. As discussed below in Electric Business Outlook - Securitization, Consumers has filed an application with the MPSC to securitize certain costs. If approved, Consumers will use the proceeds from the securitization for refinancing or retirement of debt, which could include a portion of its current fixed-rate debt. Consumers does not believe that any adverse change in debt price and interest rates would have a material adverse effect on either its consolidated financial position, results of operation or cash flows.

COMMODITY MARKET RISK: For purposes other than trading, Consumers enters into electric call options, fixed price gas supply contracts containing embedded put options, fixed priced weather-based gas supply call options and fixed priced gas supply put options. The electric call options are used to protect against risk due to fluctuations in the market price of electricity and to ensure a reliable source of capacity to meet customers' electric needs. The gas supply contracts containing embedded put options, the weather-based gas supply call options, and the gas supply put options are used to purchase reasonably priced gas supply.

As of March 31, 2003 and 2002, the fair value based on quoted future market prices of electricity-related call option and swap contracts was $10 million and $19 million, respectively. At March 31, 2003 and 2002, assuming a hypothetical 10 percent adverse change in market prices, the potential reduction in fair value associated with these contracts would be $2 million and $4 million respectively. As of March 31, 2003 and 2002, Consumers had an asset of $28 million and $48 million, respectively, related to premiums incurred for electric call option contracts. Consumers' maximum exposure associated with the call option contracts is limited to the premiums incurred. As of March 31, 2003, Consumers did not have any gas supply-related call or put option contracts. As of March 31, 2002, the fair value based on quoted future market prices of gas supply contracts containing embedded put options was $4 million. At March 31, 2002, a hypothetical 10 percent adverse change in market prices was immaterial.

EQUITY SECURITY PRICE RISK: Consumers owns less than 20 percent of the outstanding shares of CMS Energy Common Stock. Consumers recognized a loss on this investment through earnings of $12 million in the fourth quarter of 2002 and an additional $12 million loss in the first quarter of 2003, because the loss was other than temporary as the fair value was below the cost basis for a period greater than six months. As of March 31, 2003, Consumers held 2.4 million shares of CMS Energy Common stock at a fair value of $10 million. Consumers believes that any further adverse change in the market price of this investment would not have a material effect on its consolidated financial position, results of operation or cash flows.

For further information on market risk and derivative activities, see Note 4, Financial and Derivative Instruments.

ACCOUNTING FOR THE EFFECTS OF INDUSTRY REGULATION

Because Consumers is involved in a regulated industry, regulatory decisions affect the timing and recognition of revenues and expenses. Consumers uses SFAS No. 71 to account for the effects of these regulatory decisions. As a result, Consumers may defer or recognize revenues and expenses differently than a non-regulated entity.

For example, items that a non-regulated entity would normally expense, Consumers may capitalize as regulatory assets if the actions of the regulator indicate such expenses will be recovered in future rates. Conversely, items that non-regulated entities may normally recognize as revenues, Consumers may record as regulatory liabilities if the actions of the regulator indicate they will require such revenues to be refunded to customers. Judgment is required to discern the recoverability of items recorded as regulatory assets and liabilities. As of March 31, 2003, Consumers had $1.121 billion recorded as regulatory assets and $463 million recorded as regulatory liabilities.

In March 1999, Consumers received MPSC electric restructuring orders, which, among other things, identified the terms and timing for implementing electric restructuring in Michigan. Consistent with these orders and EITF No. 97-4, Consumers discontinued the application of SFAS No. 71 for the energy supply portion of its business because Consumers expected to implement retail open access at competitive market-based rates for its electric customers. Since 1999, there has been a significant legislative and regulatory change in Michigan that has resulted in: 1) electric supply customers of utilities remaining on cost-based rates and 2) utilities being given the ability to recover Stranded Costs associated with electric restructuring, from customers who choose an alternative electric supplier. During 2002, Consumers re-evaluated the criteria used to determine if an entity or a segment of an entity meets the requirements to apply regulated utility accounting, and determined that the energy supply portion of its business could meet the criteria if certain regulatory events occurred. In December 2002, Consumers received a MPSC Stranded Cost order that allowed Consumers to re-apply regulatory accounting standard SFAS No. 71 to the energy supply portion of its business. Re-application of SFAS No. 71 had no effect on the prior discontinuation accounting, but will allow Consumers to apply regulatory accounting treatment to the energy supply portion of its business

beginning in the fourth quarter of 2002, including regulatory accounting treatment of costs required to be recognized in accordance with SFAS No. 143.

ACCOUNTING FOR PENSION AND OPEB

Consumers provides postretirement benefits under its Pension Plan, and postretirement health and life benefits under its OPEB plans to substantially all its retired employees. Consumers uses SFAS No. 87 to account for pension costs and uses SFAS No. 106 to account for other postretirement benefit costs. These statements require liabilities to be recorded on the balance sheet at the present value of these future obligations to employees net of any plan assets. The calculation of these liabilities and associated expenses require the expertise of actuaries and are subject to many assumptions including life expectancies, present value discount rates, expected long-term rate of return on plan assets, rate of compensation increase and anticipated health care costs. Any change in these assumptions can significantly change the liability and associated expenses recognized in any given year. The Pension Plan includes amounts for employees of CMS Energy and non-utility affiliates, including Panhandle, which were not distinguishable from the Pension Plan's total assets. On December 21, 2002, a definitive agreement was executed to sell Panhandle. The sale is expected to close in 2003. No portion of the Pension Plan will be transferred with the sale of Panhandle. At the closing of the sale, none of the employees of Panhandle will be eligible to accrue additional benefits. The Pension Plan will retain pension payment obligations for Panhandle employees that are vested under the Pension Plan. Consumers does not expect the impact to be material.

Consumers estimates pension expense will approximate $36 million, $42 million and $48 million in fiscal 2003, fiscal 2004 and fiscal 2005, respectively. Future actual pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the populations participating in the Pension Plan.

Consumers has announced changes to the Pension Plan. Employees hired on or after July 1, 2003 will be covered by the cash balance plan section of the current plan. Under the cash balance section, an employee's retirement account is credited annually with a percentage of their salary and any amounts that are vested are portable when an employee leaves the company. In addition, the method used to convert an employee's benefit to a lump sum payment is being changed. Employees who elect the lump sum payment option will not earn an additional early retirement subsidy. As a result, employees who choose the lump sum payment option, and retire before age 65, will receive lower lump sum payments.

In order to keep health care benefits and costs competitive, Consumers has announced several changes to the Health Care Plan. These changes were effective January 1, 2003. The most significant change is that Consumers' future increases in health care costs will be shared with salaried employees. The salaried retirees health care plan has also been amended. Pre-Medicare retirees now elect coverage from four different levels of coverage, with the two best coverage options requiring premium contributions. These plans also coordinate benefits under a maintenance of benefits provision to reduce claim costs for Consumers. Mail-order prescription copays have also been increased for all salaried retirees.

ACCOUNTING FOR NUCLEAR DECOMMISSIONING COSTS

Consumers' decommissioning cost estimates for the Big Rock and Palisades plants assume that each plant site will eventually be restored to conform to the adjacent landscape with all contaminated equipment and material removed and disposed of in a licensed burial facility and the site released for unrestricted use. A March 1999 MPSC order provided for fully funding the decommissioning trust funds for both sites. The order set the annual decommissioning surcharge for the Palisades decommissioning at $6 million a year. Consumers estimates that at the time of the decommissioning of Palisades, its decommissioning trust fund will be fully funded. Earnings assumptions are that the trust funds are invested in equities and fixed income investments,

equities will be converted to fixed income investments during decommissioning and fixed income investments are converted to cash as needed. Decommissioning costs have been developed, in part, by independent contractors with expertise in decommissioning. These costs estimates use various inflation rates for labor, non-labor, and contaminated equipment disposal costs.

On December 31, 2000, the Big Rock trust fund was considered fully funded. A portion of its current decommissioning cost is due to the failure of the DOE to remove fuel from the site. These costs, and similar costs incurred at Palisades, would not be necessary but for the failure of the DOE to take possession of the spent fuel as required by the Nuclear Waste Policy Act of 1982. A number of utilities have commenced litigation in the Court of Claims, including Consumers, which filed its complaint in December 2002. The Chief Judge of the Court of Claims identified six lead cases to be used as vehicles for resolving dispositive motions. Consumers' case is not a lead case. It is unclear what impact this decision by the Chief Judge will have on the outcome of Consumers' litigation. If the litigation that was commenced in the fourth quarter of 2002, against the DOE is successful, Consumers anticipates future recoveries from the DOE to defray the significant costs it will incur for the storage of spent fuel until the DOE takes possession as required by law.

On March 26, 2003, the Michigan Environmental Council, the Public Interest Research Group in Michigan, and the Michigan Consumer Federation submitted a complaint to the MPSC, which was served on Consumers by the MPSC on April 18, 2003. The complaint asks the MPSC to commence a generic investigation and contested case to review all facts and issues concerning costs associated with spent nuclear fuel storage and disposal. The complaint seeks a variety of relief with respect to Consumers Energy, The Detroit Edison Company, Indiana & Michigan Electric Company, Wisconsin Electric Power Company and Wisconsin Public Service Corporation including establishing external trusts to which amounts collected in electric rates for spent nuclear fuel storage and disposal should be transferred, and the adoption of additional measures related to the storage and disposal of spent nuclear fuel. Consumers is reviewing the complaint. Consumers is unable to predict the outcome of this matter.

The funds provided by the trusts and additional funds from DOE litigation are expected to fully fund the decommissioning costs. Variance from trust earnings, a lesser recovery of costs from the DOE, changes in decommissioning technology, regulations, estimates or assumptions could affect the cost of decommissioning these sites and the adequacy of the decommissioning trust funds.

RELATED PARTY TRANSACTIONS

Consumers enters into a number of significant transactions with related parties. These transactions include the purchase of capacity and energy from the MCV Partnership and from affiliates of Enterprises, the purchase of electricity and gas supply from CMS MST, the sale of electricity to CMS MST, the purchase of gas transportation from CMS Bay Area Pipeline, L.L.C., the purchase of gas transportation from Trunkline, a subsidiary of Panhandle, the payment of parent company overhead costs to CMS Energy, the sale, storage and transportation of natural gas and other services to the MCV Partnership, and an investment in CMS Energy Common Stock.

Transactions involving CMS Energy and its affiliates and the sale, storage and transportation of natural gas and other services to the MCV Partnership are generally based on regulated prices, market prices or competitive bidding. Transactions involving the power supply purchases from the MCV Partnership, and certain affiliates of Enterprises, are based upon avoided costs under PURPA and competitive bidding; and the payment of parent company overhead costs to CMS Energy are based upon use or accepted industry allocation methodologies.

In 2002, Consumers also sold its transmission facilities to MTH, a non-affiliated limited partnership whose general partner is a subsidiary of Trans-Elect, Inc., an independent company, whose management includes former executive employees of Consumers. The transaction was based on competitive bidding. Additionally, Consumers continues to use the transmission facilities now owned by MTH, and a director of Consumers is currently a stockholder of Trans-Elect, Inc.

For detailed information about related party transactions see Note 2, Uncertainties, "Electric Rate Matters - Transmission", and "Other Electric Uncertainties - The Midland Cogeneration Venture".

RESULTS OF OPERATIONS

CONSUMERS CONSOLIDATED EARNINGS

			In Millions
March 31	2003	2002	Change
Three months ended	$99	$81	$18

2003 COMPARED TO 2002: For the three months ended March 31, 2003, Consumers' net income available to the common stockholder totaled $99 million, an increase of $18 million from the previous year. This increase in earnings reflects an after-tax benefit of $30 million due to increased electric and gas deliveries. Also contributing to the earnings increase is the after-tax benefit of $12 million due to the final gas rate order issued in 2002 authorizing Consumers to increase its gas tariff rates. This increase in earnings also reflects an $8 million after-tax benefit primarily from increased intersystem revenues along with a $5 million benefit from increased electric miscellaneous service revenues. Offsetting these increases is a $12 million charge to non-utility expense in order to recognize a decline in market value of CMS Energy Stock held by Consumers and increased electric and gas operating expenses that reduced earnings by $24 million after-tax.

For further information, see the Electric and Gas Utility Results of Operations sections and Note 2, Uncertainties.

ELECTRIC UTILITY RESULTS OF OPERATIONS

			In Millions
March 31	2003	2002	Change
Three months ended	$51	$50	$1

Reasons for the change:

Electric deliveries	$13
Power supply costs and related revenue	13
Other operating expenses and non-commodity revenue	(22)
Fixed charges	(3)
Total change	$ 1

ELECTRIC DELIVERIES: For the three months ended March 31, 2003, electric delivery revenues increased by $13 million from the previous year. Electric deliveries, including transactions with other wholesale market participants and other electric utilities, were 9.7 billion kWh, an increase of 0.5 billion kWh or 5.6 percent from 2002. This increase is primarily the result of increased deliveries to the higher margin residential and commercial sectors, along with the growth in retail deliveries.

POWER SUPPLY COSTS AND RELATED REVENUE: For the three months ended March 31, 2003, power supply costs and related revenues increased electric net income by $13 million from 2002. This increase is primarily the result of increased intersystem revenues.

OTHER OPERATING EXPENSES AND NON-COMMODITY REVENUE: For the three months ended March 31, 2003, operating expenses increased compared to 2002. This increase can be attributed to a scheduled refueling outage at Palisades that began in March and higher transmission costs due to the loss of a financial return on the sold Consumers transmission system asset in May 2002. Slightly offsetting these increased operating expenses are increased non-commodity revenues associated with miscellaneous service revenues.

INCOME TAXES: For the three months ended March 31, 2003, income tax expense remained relatively flat compared to 2002.

GAS UTILITY RESULTS OF OPERATIONS

			In Millions
March 31	2003	2002	Change
Three months ended	$54	$28	$26

Reasons for the change:

Gas deliveries	$33
Gas rate increase	19
Gas wholesales and retail services	3
Operation and maintenance	(10)
General taxes, depreciation, and other income	(5)
Fixed charges	(1)
Income taxes	(13)
Total change	$ 26

GAS DELIVERIES: For the three months ended March 31, 2003, gas delivery revenues increased by $33 million from the previous year. System deliveries, including miscellaneous transportation, totaled 174 bcf, an increase of 25 bcf or 16.4 percent compared with 2002. This increase is primarily due to colder weather that resulted in increased deliveries to the residential and commercial sectors in 2003.

GAS RATE INCREASE: In November 2002, the MPSC issued a final gas rate order authorizing a $56 million annual increase in Consumers gas tariff rates. As a result of this order, Consumers recognized increased gas revenues of $19 million.

OPERATION AND MAINTENANCE: For the three months ended March 31, 2003, operation and maintenance expenses increased $10 million compared to 2002. This increase reflects the recognition of additional expenditures on safety, reliability and customer service due to the colder temperatures for the quarter, compared to the same period in 2002

INCOME TAXES: For the three months ended March 31, 2003, income tax expense increased primarily due to improved earnings of the gas utility.

CAPITAL RESOURCES AND LIQUIDITY

CASH POSITION, INVESTING AND FINANCING

OPERATING ACTIVITIES: Consumers' principal source of liquidity is from cash derived from operating activities involving the sale and transportation of natural gas and the generation, delivery and sale of electricity. Cash

from operations totaled $387 million and $270 million for the first three months of 2003 and 2002, respectively. The $117 million increase resulted from an increase in electric and gas deliveries, a gas rate increase and changes in working capital items due to the timing of cash receipts and payments. Consumers primarily uses cash derived from operating activities to operate, maintain, expand and construct its electric and gas systems, to retire portions of long-term debt, and to pay dividends. A decrease in cash from operations could reduce the availability of funds and result in additional short-term financings, see Note 3, Financings and Capitalization for additional details about this source of funds.

INVESTING ACTIVITIES: Cash used for investing activities totaled $117 million and $154 million for the first three months of 2003 and 2002, respectively. The change of $37 million is primarily due to a $16 million decrease from the 2002 level of capital expenditures to comply with the Clean Air Act and a $12 million decrease in gas supply system additions and improvements.

FINANCING ACTIVITIES: Cash used for financing activities totaled $51 million and $105 million for the first three months of 2003 and 2002, respectively. The change of $54 million is primarily due to a decrease of $309 million retirements of bonds and other long-term debt, partially offset by $96 million additional payments of notes payable and the absence of $150 million cash infusion from CMS Energy.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS: The following schedule of material contractual obligations and commercial commitments is provided to aggregate information in a single location so that a picture of liquidity and capital resources is readily available. For further information see Note 2, Uncertainties, and Note 3, Financings and Capitalization.

Contractual Obligations — In Millions

		Payments Due					
March 31	Total	2003	2004	2005	2006	2007	2008 and beyond
On-balance sheet:							
Long-term debt	$ 2,724	$ -	$228	$470	$512	$ 31	$ 1,483
Current portion of long-term debt	277	277	-	-	-	-	-
Notes payable	252	252	-	-	-	-	-
Capital lease obligations	153	14	19	18	17	16	69
Off-balance sheet:							
Operating leases	79	10	12	8	8	6	35
Non-recourse debt of FMLP	208	8	54	41	26	13	66
Sale of accounts receivable	325	325	-	-	-	-	-
Unconditional purchase obligations	18,888	1,843	1,386	1,119	874	742	12,924

REGULATORY AUTHORIZATION FOR FINANCINGS: At March 31, 2003, Consumers had FERC authorization to issue or guarantee through June 2004, up to $1.1 billion of short-term securities outstanding at any one time. Consumers also had remaining FERC authorization to issue through June 2004 up to $500 million of long-term securities for refinancing or refunding purposes, $381 million for general corporate purposes, and $610 million of first mortgage bonds to be issued solely as collateral for the long-term securities. On April 30, 2003, Consumers sold $625 million principal amount of first mortgage bonds, described below. Its remaining FERC authorization after this issue is (1) $250 million of long-term securities for refinancing or refunding purposes, (2) $6 million for general corporate purposes, and (3) $610 million remaining first mortgage bonds available to be issued solely as collateral for the long-term securities. Consumers anticipates applying in the second quarter of 2003 for an increase in FERC authorization to issue new long-term securities for

refinancing or refunding and for general corporate purposes. On October 10, 2002, FERC granted a waiver of its competitive bid/negotiated placement requirements applicable to the remaining long-term securities authorization indicated above.

LONG TERM DEBT: In March 2003, Consumers entered into a $140 million term loan secured by first mortgage bonds with a private investor bank. This loan has a term of six years at a cost of LIBOR plus 475 basis points. Proceeds from this loan were used for general corporate purposes.

In March 2003, Consumers entered into a $150 million term loan secured by first mortgage bonds. This term loan has a three-year maturity expiring in March 2006; the loan has a cost of LIBOR plus 450 basis points. Proceeds from this loan were used for general corporate purposes.

In April 2003, Consumers sold $625 million principal amount of first mortgage bonds in a private offering to institutional investors ; $250 million were issued at 4.25 percent, maturing on April 15, 2008, and net proceeds were approximately $248 million, $375 million were issued at 5.38 percent, maturing on April 15, 2013, and net proceeds were approximately $371 million. Consumers used the net proceeds to replace a $250 million senior reset put bond that matured in May 2003, to pay an associated $32 million option call payment, and for general corporate purposes that may include paying down additional debt. Consumers has agreed to file a registration statement with the SEC to permit holders of these first mortgage bonds to exchange the bonds for new bonds that will be registered under the Securities Act of 1933. Consumers has agreed to file this registration statement by December 31, 2003.

Consumers' current portion of long-term debt maturing in 2003 is $277 million. Refer to Outlook, "Liquidity and Capital Resources" below for information about Consumers strategic measures addressing its future liquidity and capital requirements.

SHORT TERM FINANCINGS: In March 2003, Consumers obtained a replacement revolving credit facility in the amount of $250 million secured by first mortgage bonds. The cost of the facility is LIBOR plus 350 basis points. The new credit facility matures in March 2004 with two annual extensions at Consumers' option, which would extend the maturity to March 2006. The prior facility was due to expire in July 2003.

Pursuant to restrictive covenants in debt facilities, Consumers is limited to common stock dividend payments that will not exceed $300 million in any calendar year. Consumers paid common stock dividends of $231 million in 2002 and $190 million in 2001 to CMS Energy. In January 2003, Consumers declared and paid a $78 million common dividend. In March 2003, Consumers declared a $31 million common dividend payable in May 2003.

LEASES: Consumers' capital leases are predominately for leased service vehicles and the new headquarters building. Operating leases are predominately for railroad coal cars.

OFF-BALANCE SHEET ARRANGEMENTS: Consumers' use of long-term contracts for the purchase of commodities and services, the sale of its accounts receivable, and operating leases are considered to be off-balance sheet arrangements. Consumers has responsibility for the collectability of the accounts receivable sold, and the full obligation of its leases become due in case of lease payment default. Consumers uses these off-balance sheet arrangements in its normal business operations.

SALE OF ACCOUNTS RECEIVABLE: At March 31, 2003, Consumers had, through its wholly owned subsidiary Consumers Receivables Funding, a $325 million trade receivable sale program in place as an anticipated source of funds for general corporate purposes. At March 31, 2003 and 2002, the receivables sold totaled $325 million for each year; the average annual discount rate was 1.57 percent and 2.15 percent, respectively. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold. On April 30, 2003, Consumers ended its trade receivable sale program with its then existing purchaser and anticipates that a new trade receivable program will be in place with a new purchaser in May 2003.

UNCONDITIONAL PURCHASE OBLIGATIONS: Unconditional purchase obligations include natural gas, electricity, and coal purchase contracts and their associated cost of transportation. These obligations represent normal business operating contracts used to assure adequate supply and to minimize exposure to market price fluctuations.

Included in unconditional purchase obligations are long-term power purchase agreements with various generating plants including the MCV Facility. These contracts require monthly capacity payments based on the plants' availability or deliverability. These payments are approximately $47 million per month for the remaining nine months of 2003, including $34 million related to the MCV Facility. For the period that a plant is not available to deliver electricity to Consumers, Consumers is not obligated to make the capacity payments to the plant. See Electric Utility Results of Operations above and Note 2, Uncertainties, "Electric Rate Matters - Power Supply Costs" and "Other Electric Uncertainties - The Midland Cogeneration Venture" for further information concerning power supply costs.

Commercial Commitments — In Millions

		Commitment Expiration					
March 31	Total	2003	2004	2005	2006	2007	2008 and beyond
Off-balance sheet:							
Indemnities	$8	$-	-	-	-	-	$8
Letters of credit	7	7	-	-	-	-	-

Indemnities are agreements by Consumers to reimburse other companies, such as an insurance company, if those companies have to complete Consumers' performance involving a third party contract. Letters of credit are issued by a bank on behalf of Consumers, guaranteeing payment to a third party. Letters of credit substitute the bank's credit for Consumers' and reduce credit risk for the third party beneficiary. The amount and time period for drawing on a letter of credit is limited.

OUTLOOK

LIQUIDITY AND CAPITAL RESOURCES

Consumers' liquidity and capital requirements generally are a function of its results of operations, capital expenditures, contractual obligations, debt maturities, working capital needs and collateral requirements. During the summer months, Consumers purchases natural gas and stores it for resale primarily during the winter heating season. Recently, the market price for natural gas has increased. If continued, this price increase could impose liquidity needs beyond what is anticipated for 2003. Although Consumers' natural gas purchases are recoverable from its customers, the amount paid for natural gas stored as inventory could require additional liquidity due to the timing of the cost recoveries. In addition, certain commodity suppliers to Consumers have requested advance payments or other forms of assurances in connection with maintenance of ongoing deliveries of gas and electricity.

Consumers has historically met its consolidated cash needs through its operating and financing activities and access to bank financing and the capital markets. In 2003, Consumers has contractual obligations and planned capital expenditures that would require substantial amounts of cash. Consumers may also become subject to liquidity demands pursuant to commercial commitments under guarantees, indemnities and letters of credit as indicated above. Consumers plans to meet its liquidity and capital requirements in 2003 through a combination of approximately $290 million from operations, $1.290 billion from borrowings, including $563 million of new debt and $727 million from refinancing of existing debt, reduced capital expenditures, cost reductions and other measures. The following table is a summary of Consumers' debt financing plan and actual borrowings for 2003:

Debt Financing in 2003 — In Millions

Financing	Financing Plan	Actual Borrowing	Type	Retired or Issued Date	Maturity	Collateral
Anticipated Maturities:						
Revolving credit facility	$ 250	$ 250	Refinanced	March 2003	March 2004 (a)	FMB
Senior note	250	250	Refunded (b)	April 2003	April 2008	-
Gas Inventory facility	227	-	Retired (c)	March 2003	-	-
Subtotal	$ 727	$ 500				
New Financings:						
Bank loan	140	140	New issue	March 2003	March 2009	FMB (e)
Term loan	150	150	New issue	March 2003	March 2006	FMB (e)
First mortgage bonds	250	375	New issue	April 2003	April 2013	-
Additional gas Inventory facility	23	- (d)	-	-	-	-
Subtotal	$ 563	$ 665				
Total	$1,290	$1,165				

(a) This facility has two annual extensions at Consumers' option, which would extend the maturity to March 2006.
(b) Refunded and replaced with FMB.
(c) Includes a gas inventory facility of $207 million retired in March 2003 and anticipated new gas inventory facility pay down of $20 million expected to occur in December 2003. See footnote (d).
(d) Consumers will seek to arrange a $125 million gas inventory loan in the third quarter 2003 and thus complete the $1.290 billion financing plan.
(e) Refer to Capital Resources and Liquidity, "Regulatory Authorization for Financings" above for information about Consumers' remaining FERC debt authorization.

Consumers believes that its current level of cash and borrowing capacity, along with anticipated cash flows from operating and investing activities, will be sufficient to meet its liquidity needs through 2003, including debt maturities in 2003. In addition to executing the debt financing plan for 2003 as discussed above, the following activities also have been initiated by Consumers to enhance further its liquidity beyond 2003:

- Consumers filed a general rate case for its gas utility business on March 14, 2003. Consumers requested rate relief in the amount of approximately $156 million. In its filing, Consumers requested immediate interim relief. If interim relief of $156 million were granted, Consumers expects that it will be in place by the fourth quarter of 2003.

- Consumers filed an application in March 2003, with the MPSC seeking authorization to issue $1.084 billion of Securitization bonds. These bonds would provide liquidity to Consumers at interest rates reflective of high quality credit. Consumers would utilize these proceeds to retire higher cost debt and in turn would realize significant interest expense savings over the life of the bonds. If the MPSC approves a financing in the amount requested, and there are no rehearing or court appeals and no other delays in the offering process, Consumers anticipates that bonds could be issued by year-end 2003.

There is no assurance that the pending Securitization bond issuance transaction noted above will be completed, nor is there assurance that the MPSC will grant either interim or final gas utility rate relief.

SEC AND OTHER INVESTIGATIONS

As a result of round-trip trading transactions at CMS MST, CMS Energy's Board of Directors established a Special Committee of independent directors to investigate matters surrounding the transactions and retained outside counsel to assist in the investigation. The Special Committee completed its investigation and reported its findings to the Board of Directors in October 2002. The Special Committee concluded, based on an extensive investigation, that the round-trip trades were undertaken to raise CMS MST's profile as an energy marketer with the goal of enhancing its ability to promote its services to new customers. The Special Committee found no apparent effort to manipulate the price of CMS Energy Common Stock or affect energy prices. The Special Committee also made recommendations designed to prevent any reoccurrence of this practice, most of which have already been implemented. Previously, CMS Energy terminated its speculative trading business and revised its risk management policy. The Board of Directors adopted, and CMS Energy has begun implementing, the remaining recommendations of the Special Committee.

CMS Energy is cooperating with other investigations concerning round-trip trading, including an investigation by the SEC regarding round-trip trades and CMS Energy's financial statements, accounting policies and controls, and investigations by the United States Department of Justice, the Commodity Futures Trading Commission and the FERC. The FERC issued an order on April 30, 2003 directing eight companies, including CMS MST, to submit written demonstrations within forty-five days that they have taken certain specified remedial measures with respect to the reporting of natural gas trading data to publications that compile and publish price indices. CMS MST intends to make a written submission within the specified time period demonstrating compliance with the FERC's directives. Other than the FERC investigation, CMS Energy is unable to predict the outcome of these matters, and Consumers is unable to predict what effect, if any, these investigations will have on its business.

SECURITIES CLASS ACTION LAWSUITS: Beginning on May 17, 2002, a number of securities class action complaints were filed against CMS Energy, Consumers, and certain officers and directors of CMS Energy and its affiliates. The complaints were filed as purported class actions in the United States District Court for the Eastern District of Michigan. The cases were consolidated into a single lawsuit and an amended and consolidated class action complaint was filed on May 1, 2003. The defendants named in the amended and consolidated class action complaint consist of CMS Energy, Consumers, and certain officers and directors of CMS Energy and its affiliates, and certain underwriters of CMS Energy securities. The purported class period is from May 1, 2000 through and including March 31, 2003. The amended and consolidated class action complaint seeks unspecified damages based on allegations that the defendants violated United States securities laws and regulations by making allegedly false and misleading statements about CMS Energy's business and financial condition. CMS Energy and Consumers intend to vigorously defend against this action, but cannot predict the outcome of this litigation.

ERISA CASES: Consumers is a named defendant, along with CMS Energy, CMS MST and certain named

and unnamed officers and directors, in two lawsuits brought as purported class actions on behalf of participants and beneficiaries of the 401(k) plan. The two cases, filed in July 2002 in the United States District Court for the Eastern District of Michigan, were consolidated by the trial judge and an amended and consolidated complaint has been filed. Plaintiffs allege breaches of fiduciary duties under ERISA and seek restitution on behalf of the plan with respect to a decline in value of the shares of CMS Energy Common Stock held in the plan. Plaintiffs also seek other equitable relief and legal fees. These cases will be vigorously defended. Consumers cannot predict the outcome of this litigation.

ELECTRIC BUSINESS OUTLOOK

GROWTH: Over the next five years, Consumers expects electric deliveries (including both full service sales and delivery service to customers who choose to buy generation service from an alternative electric supplier, but excluding transactions with other wholesale market participants including other electric utilities) to grow at an average rate of approximately two percent per year based primarily on a steadily growing customer base. This growth rate reflects a long-range expected trend of growth. Growth from year to year may vary from this trend due to customer response to abnormal weather conditions and changes in economic conditions including, utilization and expansion of manufacturing facilities. Consumers has experienced much stronger than expected growth in 2002 as a result of warmer than normal summer weather. Assuming that normal weather conditions will occur in the remaining three quarters of 2003, electric deliveries are expected to grow less than one percent over the strong 2002 electric deliveries.

COMPETITION AND REGULATORY RESTRUCTURING: The enactment in 2000 of Michigan's Customer Choice Act and other developments will continue to result in increased competition in the electric business. Generally, increased competition can reduce profitability and threatens Consumers' market share for generation services. The Customer Choice Act allowed all of the company's electric customers to buy electric generation service from Consumers or from an alternative electric supplier as of January 1, 2002. As a result, alternative electric suppliers for generation services have entered Consumers' market. As of early May 2003, alternative electric suppliers are providing 571 MW of generation supply to customers. To the extent Consumers experiences "net" Stranded Costs as determined by the MPSC, the Customer Choice Act allows for the company to recover such "net" Stranded Costs by collecting a transition surcharge from those customers who switch to an alternative electric supplier. Consumers cannot predict the total amount of electric supply load that may be lost to competitor suppliers, nor whether the stranded cost recovery method adopted by the MPSC will be applied in a manner that will fully offset any associated margin loss.

Stranded and Implementation Costs: The Customer Choice Act allows electric utilities to recover the act's implementation costs and "net" Stranded Costs (without defining the term). The act directs the MPSC to establish a method of calculating "net" Stranded Costs and of conducting related true-up adjustments. In December 2001, the MPSC adopted a methodology which calculated "net" Stranded Costs as the shortfall between: (a) the revenue required to cover the costs associated with fixed generation assets, generation-related regulatory assets, and capacity payments associated with purchase power agreements, and (b) the revenues received from customers under existing rates available to cover the revenue requirement. The MPSC authorized Consumers to use deferred accounting to recognize the future recovery of costs determined to be stranded. Consumers has initiated an appeal at the Michigan Court of Appeals related to the MPSC's December 2001 "net" Stranded Cost order.

According to the MPSC, "net" Stranded Costs were to be recovered from retail open access customers through a Stranded Cost transition charge. In April 2002, Consumers made "net" Stranded Cost filings with the MPSC for $22 million for 2000 and $43 million for 2001. In the same filing, Consumers estimated that it would experience "net" Stranded Costs of $126 million for 2002. Consumers, in its hearing brief, filed in August 2002, revised its request for "net" Stranded Costs to $7 million and $4 million for 2000 and 2001, respectively, and an estimated $73 million for 2002. The single largest reason for the difference was the

exclusion, as ordered by the MPSC, of all costs associated with expenditures required by the Clean Air Act.

In December 2002, the MPSC issued an order finding that Consumers experienced zero "net" Stranded Costs in 2000 and 2001, but declined to establish a defined methodology that would allow a reliable prediction of the level of Stranded Costs for 2002 and future years. In January 2003, Consumers filed a petition for rehearing of the December 2002 Stranded Cost order in which it asked the MPSC to grant rehearing and revise certain features of the order. Several other parties also filed rehearing petitions with the MPSC. As discussed below, Consumers has filed a request with the MPSC for authority to issue securitization bonds that would allow recovery of the Clean Air Act expenditures that were excluded from the Stranded Cost calculation and post-2000 Palisades expenditures.

On March 4, 2003, Consumers filed an application with the MPSC seeking approval of "net" Stranded Costs incurred in 2002, and for approval of a "net" Stranded Cost recovery charge. In the application, Consumers indicated that if Consumers' proposal to securitize Clean Air Act expenditures and post-2000 Palisades expenditures were approved as proposed in its securitization case as discussed below, then Consumers' "net" Stranded Costs incurred in 2002 are approximately $35 million. If the proposal to securitize those costs is not approved, then Consumers indicated that the costs would be properly included in the 2002 "net" Stranded Cost calculation, which would increase Consumers' 2002 "net" Stranded Costs to approximately $103 million. Consumers cannot predict the recoverability of Stranded Costs, and therefore has not recorded any regulatory assets to recognize the future recovery of such costs.

The MPSC staff has scheduled a collaborative process to discuss Stranded Costs and related issues and to identify and make recommendations to the MPSC. Consumers is participating in this collaborative process.

Since 1997, Consumers has incurred significant electric utility restructuring implementation costs. The following table outlines the applications filed by Consumers with the MPSC and the status of recovery for these costs.

In Millions

Year Filed	Year Incurred	Requested	Pending	Allowed	Disallowed
1999	1997 & 1998	$20	$ -	$15	$5
2000	1999	30	-	25	5
2001	2000	25	-	20	5
2002	2001	8	8	Pending	Pending
2003	2002	2	2	Pending	Pending

The MPSC disallowed certain costs based upon a conclusion that these amounts did not represent costs incremental to costs already reflected in electric rates. In the orders received for the years 1997 through 2000, the MPSC also reserved the right to review again the total implementation costs depending upon the progress and success of the retail open access program, and ruled that due to the rate freeze imposed by the Customer Choice Act, it was premature to establish a cost recovery method for the allowable implementation costs. In addition to the amounts shown above, as of March 31, 2003, Consumers incurred and deferred as a regulatory asset, $2 million of additional implementation costs and has also recorded as a regulatory asset $14 million for the cost of money associated with total implementation costs. Consumers believes the implementation costs and the associated cost of money are fully recoverable in accordance with the Customer Choice Act. Cash recovery from customers will probably begin after the rate freeze or rate cap period has expired. As discussed below, Consumers has asked to include implementation costs through December 31, 2003 in the pending securitization case. If approved, the sale of Securitization bonds will allow for the recovery of these costs. Consumers cannot predict the amounts the MPSC will approve as allowable costs.

Consumers is also pursuing authorization at the FERC for MISO to reimburse Consumers for approximately $8 million in certain electric utility restructuring implementation costs related to its former participation in the development of the Alliance RTO, a portion of which has been expensed. However, Consumers cannot predict the amount the FERC will ultimately order to be reimbursed by the MISO.

Securitization: In March 2003, Consumers filed an application with the MPSC seeking approval to issue Securitization bonds in the amount of approximately $1.084 billion. If approved, this would allow the recovery of costs and reduce interest rates associated with financing Clean Air Act expenditures, post-2000 Palisades expenditures, and retail open access implementation costs through December 31, 2003, and certain pension fund expenses, and expenses associated with the issuance of the bonds.

Rate Caps: The Customer Choice Act imposes certain limitations on electric rates that could result in Consumers being unable to collect from electric customers its full cost of conducting business. Some of these costs are beyond Consumers' control. In particular, if Consumers needs to purchase power supply from wholesale suppliers while retail rates are frozen or capped, the rate restrictions may make it impossible for Consumers to fully recover purchased power and associated transmission costs from its customers. As a result, Consumers may be unable to maintain its profit margins in its electric utility business during the rate freeze or rate cap periods. The rate freeze is in effect through December 31, 2003. The rate caps are in effect through at least December 31, 2004 for small commercial and industrial customers, and at least through December 31, 2005 for residential customers.

Industrial Contracts: In response to industry restructuring efforts, in 1995 and 1996, Consumers entered into multi-year electric supply contracts with certain large industrial customers to provide electricity at specially negotiated prices, usually at a discount from tariff prices. The MPSC approved these special contracts as part of its phased introduction to competition. Unless terminated or restructured, the majority of these contracts are in effect through 2005. As of March 31, 2003, outstanding contracts involve approximately 513 MW. Consumers cannot predict the ultimate financial impact of changes related to these power supply contracts, or whether additional contracts will be necessary or advisable. However, of the original special contracts that have terminated, contracts for 52MW have gone to an alternative electric supplier and contracts for 129MW have returned to bundled tariff rates.

Code of Conduct: In December 2000, as a result of the passage of the Customer Choice Act, the MPSC issued a new code of conduct that applies to electric utilities and alternative electric suppliers. The code of conduct seeks to prevent cross-subsidization, information sharing, and preferential treatment between a utility's regulated and unregulated services. The new code of conduct is broadly written, and as a result, could affect Consumers' retail gas business, the marketing of unregulated services and equipment to Michigan customers, and internal transfer pricing between Consumers' departments and affiliates. In October 2001, the new code of conduct was reaffirmed by the MPSC without substantial modification. Consumers appealed the MPSC orders related to the code of conduct and sought a stay of the orders until the appeal was complete; however, the request for a stay was denied. Consumers filed a compliance plan in accordance with the code of conduct. It also sought waivers to the code of conduct in order to continue utility activities that provide approximately $50 million in annual electric and gas revenues. In October 2002, the MPSC denied waivers for three programs that provided approximately $32 million in gas revenues in 2001, of which $30 million relates to the appliance service plan. The waivers denied included all waivers associated with the appliance service plan program that has been offered by Consumers for many years. Consumers filed a renewed motion for a stay of the effectiveness of the code of conduct and an appeal of the waiver denials with the Michigan Court of Appeals. On November 8, 2002, the Michigan Court of Appeals denied Consumers' request for a stay. Consumers filed an application for leave to appeal with the Michigan Supreme Court with respect to the Michigan Court of Appeals' November ruling denying the stay. In February 2003, the Michigan Supreme Court denied the application. In December 2002, Consumers filed a renewed request with the MPSC for a temporary waiver until April 2004 for the appliance service plan, which generated $33 million in gas revenues in 2002. In February 2003, the MPSC granted an extension of the temporary waiver until December 31, 2003. The full impact of the new code of conduct on Consumers' business will remain uncertain until the

appellate courts issue definitive rulings. Recently, in an appeal involving affiliate pricing guidelines, the Michigan Court of Appeals struck the guidelines down because of a procedurally defective manner of enactment by the MPSC. A similar procedure was used by the MPSC in enacting the new code of conduct. Consumers is also exploring seeking legislative clarification of the scope of the code of conduct.

Energy Policy: Uncertainty exists regarding the enactment of a national comprehensive energy policy, specifically federal electric industry restructuring legislation. A variety of bills introduced in the United States Congress in recent years aimed to change existing federal regulation of the industry. If the federal government enacts a comprehensive energy policy or electric restructuring legislation, then that legislation could potentially affect company operations and financial requirements.

Transmission: In 2002, Consumers sold its electric transmission system to MTH, a non-affiliated limited partnership whose general partner is a subsidiary of Trans-Elect, Inc.

As a result of the sale, Consumers anticipates its after-tax earnings will be decreased by $15 million in 2003, and decrease by approximately $14 million annually for the next three years due to a loss of revenue from wholesale and retail open access customers who will buy services directly from MTH and the loss of a return on the sold electric transmission system.

Under an agreement with MTH, and subject to certain additional RTO surcharges, transmission rates charged to Consumers are fixed by contract at current levels through December 31, 2005, and subject to FERC ratemaking thereafter. MTH has completed the capital program to expand the transmission system's capability to import electricity into Michigan, as required by the Customer Choice Act, and Consumers will continue to maintain the system under a five-year contract with MTH.

Consumers is a customer of AEP, holding 300 MW of long-term transmission service reservations through the AEP transmission system. Effective June 1, 2003, Consumers will have an additional 100 MW of long-term transmission, resulting in a total of 400 MW of long-term transmission for summer 2003, reserved through the AEP transmission system. AEP has indicated its intent, and has received preliminary FERC approval, to turn control of its transmission system over to the PJM RTO. This will require current AEP wholesale transmission customers to become members of, and resubmit reservation requests to, PJM. Due to legislation recently enacted in Virginia, which precludes Virginia utilities (including AEP) from joining an RTO until at least July 2004, as well as uncertainty associated with state approvals AEP is seeking from various state regulatory bodies, the timing of AEP's membership in PJM is currently in some doubt. Upon completion of the steps necessary for the integration of AEP into PJM, Consumers will complete the application process to join PJM as a transmission customer.

There are multiple proceedings and a proposed rulemaking pending before the FERC regarding transmission pricing mechanisms and standard market design for electric bulk power markets and transmission. The results of these proceedings and proposed rulemaking could significantly affect the trend of transmission costs and increase the delivered power costs to Consumers and the retail electric customers it serves. The specific financial impact on Consumers of such proceedings, rulemaking and trends are not currently quantifiable.

In addition, Consumers is evaluating whether or not there may be impacts on electric reliability associated with the outcomes of these various transmission related proceedings. Consumers cannot assure that all risks to reliability can be avoided.

Consumers cannot predict the impact of these electric industry-restructuring issues on its financial position, liquidity, or results of operations.

PERFORMANCE STANDARDS: In July 2001, the MPSC proposed electric distribution performance standards for Consumers and other Michigan electric distribution utilities. The proposal would establish standards related to restoration after an outage, safety, and customer relations. Failure to meet the standards would result in customer bill credits. Consumers submitted comments to the MPSC. In December 2001, the MPSC issued an order stating its intent to initiate a formal rulemaking proceeding to develop and adopt performance standards. In November 2002, the MPSC issued an order initiating the formal rulemaking proceeding. Consumers has filed comments on the proposed rules and will continue to participate in this process. Consumers cannot predict the nature of the proposed standards or the likely effect, if any, on Consumers.

For further information and material changes relating to the rate matters and restructuring of the electric utility industry, see Note 1, Corporate Structure and Summary of Significant Accounting Policies, and Note 2, Uncertainties, "Electric Rate Matters - Electric Restructuring" and "Electric Rate Matters - Electric Proceedings."

UNCERTAINTIES: Several electric business trends or uncertainties may affect Consumers' financial results and condition. These trends or uncertainties have, or Consumers reasonably expects could have, a material impact on net sales, revenues, or income from continuing electric operations. Such trends and uncertainties include: 1) pending litigation and government investigations; 2) the need to make additional capital expenditures and increase operating expenses for Clean Air Act compliance; 3) environmental liabilities arising from various federal, state and local environmental laws and regulations, including potential liability or expenses relating to the Michigan Natural Resources and Environmental Protection Acts and Superfund; 4) uncertainties relating to the storage and ultimate disposal of spent nuclear fuel; 5) electric industry restructuring issues, including those described above; 6) Consumers' ability to meet peak electric demand requirements at a reasonable cost, without market disruption, and successfully implement initiatives to reduce exposure to purchased power price increases; 7) the recovery of electric restructuring implementation costs; 8) Consumers new status as an electric transmission customer and not as an electric transmission owner/operator; 9) sufficient reserves for OATT rate refunds; 10) the effects of derivative accounting and potential earnings volatility; 11) increased costs for safety and homeland security initiatives that are not recoverable on a timely basis from customers; and 12) potentially rising pension costs due to market losses (as discussed above in Accounting for Pension and OPEB). For further information about these trends or uncertainties, see Note 2, Uncertainties.

GAS BUSINESS OUTLOOK

GROWTH: Over the next five years, Consumers expects gas deliveries, including gas full service and customer choice deliveries (excluding transportation to the MCV Facility and off-system deliveries), to grow at an average rate of less than one percent per year based primarily on a steadily growing customer base. Actual gas deliveries in future periods may be affected by abnormal weather, use of gas by independent power producers, changes in competitive and economic conditions, and the level of natural gas consumption per customer.

2001 GAS RATE CASE: In June 2001, Consumers filed an application with the MPSC seeking a distribution service rate increase. On November 7, 2002, the MPSC issued a final order approving a $56 million annual distribution service rate increase, which includes the $15 million interim increase, with an 11.4 percent authorized return on equity, for service effective November 8, 2002. As part of this order, the MPSC approved Consumers' proposal to absorb the assets and liabilities of Michigan Gas Storage Company into Consumers' rate base and rates. This has occurred through a statutory merger of Michigan Gas Storage Company into Consumers and this is not expected to have an impact on Consumers' consolidated financial statements.

2003 GAS RATE CASE: On March 14, 2003, Consumers filed an application with the MPSC seeking a $156 million increase in its gas delivery and transportation rates, which includes a 13.5 percent authorized return on

equity, based on a 2004 test year. If approved, the request would add about $6.40 per month, or about 9 percent, to the typical residential customer's average monthly bill. Contemporaneously with this filing, Consumers has requested interim rate relief in the same amount.

In September 2002, the FERC issued an order rejecting a filing by Consumers to assess certain rates for non-physical gas title tracking services offered by Consumers. Despite Consumers' arguments to the contrary, the FERC asserted jurisdiction over such activities and allowed Consumers to refile and justify a title transfer fee not based on volumes as Consumers proposed. Because the order was issued six years after Consumers made its original filing initiating the proceeding, over $3 million in non-title transfer tracking fees had been collected. No refunds have been ordered, and Consumers sought rehearing of the September order. If refunds were ordered they may include interest which would increase the refund liability to more than the $3 million collected. In December 2002, Consumers established a $3.6 million reserve related to this matter. Consumers is unable to say with certainty what the final outcome of this proceeding might be.

ENERGY-RELATED SERVICES: Consumers offers a variety of energy-related services to retail customers that focus on appliance maintenance, home safety, commodity choice, and assistance to customers purchasing heating, ventilation and air conditioning equipment. Consumers continues to look for additional growth opportunities in providing energy-related services to its customers. The ability to offer all or some of these services and other utility related revenue-generating services, which provide approximately $36 million in annual gas revenues, may be restricted by the new code of conduct issued by the MPSC, as discussed above in Electric Business Outlook, "Competition and Regulatory Restructuring - Code of Conduct."

UNCERTAINTIES: Several gas business trends or uncertainties may affect Consumers' financial results and conditions. These trends or uncertainties have, or Consumers reasonably expects could have, a material impact on net sales, revenues, or income from continuing gas operations. Such trends and uncertainties include: 1) pending litigation and government investigations; 2) potential environmental costs at a number of sites, including sites formerly housing manufactured gas plant facilities; 3) future gas industry restructuring initiatives; 4) any initiatives undertaken to protect customers against gas price increases; 5) an inadequate regulatory response to applications for requested rate increases; 6) market and regulatory responses to increases in gas costs, including a reduced average use per residential customer; 7) increased costs for pipeline integrity and safety and homeland security initiatives that are not recoverable on a timely basis from customers; and 8) potentially rising pension costs due to market losses (as discussed above in Accounting for Pension and OPEB). For further information about these uncertainties, see Note 2, Uncertainties.

OTHER OUTLOOK

See Outlook, "Liquidity and Capital Resources," "SEC and Other Investigations," "Securities Class Action Lawsuits," and "ERISA Cases" above.

SECURITY COSTS: Since the September 11, 2001 terrorist attacks in the United States, Consumers has increased security at all critical facilities and over its critical infrastructure, and will continue to evaluate security on an ongoing basis. Consumers may be required to comply with federal and state regulatory security measures promulgated in the future. Through December 31, 2002, Consumers has incurred approximately $4 million in incremental security costs, including operating, capital, and decommissioning and removal costs. Consumers estimates it may incur additional incremental security costs in 2003 of approximately $6 million. Consumers will attempt to seek recovery of these costs from its customers. In December 2002, the Michigan legislature passed, and the governor signed, a bill that would allow Consumers to seek recovery of additional nuclear electric division security costs incurred during the rate freeze and cap periods imposed by the Customer Choice Act. Of the $4 million in incremental security costs incurred through December 31, 2002, approximately $3 million related to nuclear security costs. Of the estimated $6 million for incremental

security costs expected to be incurred in 2003, $4 million relates to nuclear security costs. On February 5, 2003, the MPSC adopted filing requirements for the recovery of enhanced security costs.

OTHER MATTERS

DISCLOSURE AND INTERNAL CONTROLS

Consumers' CEO and CFO are responsible for establishing and maintaining Consumers' disclosure controls and procedures. Management, under the direction of Consumers' principal executive and financial officers, has evaluated the effectiveness of Consumers' disclosure controls and procedures as of a date within 90 days prior to this filing. Based on this evaluation, Consumers' CEO and CFO have concluded that Consumers' disclosure controls and procedures are effective to ensure that material information was presented to them. There have been no significant changes in Consumers' internal controls or in other factors that could significantly affect internal controls subsequent to such evaluation.

NEW ACCOUNTING STANDARDS

FASB INTERPRETATION NO. 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES: Issued by the FASB in January 2003, the interpretation expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. The consolidation requirements of the interpretation apply immediately to variable interest entities created after January 31, 2003. For Consumers, the consolidation requirements apply to pre-existing entities beginning July 1, 2003. Certain of the disclosure requirements apply to all financial statements initially issued after January 31, 2003. Consumers will be required to consolidate any entities that meet the requirements of the interpretation. Upon adoption of the standard on January 31, 2003, there was no impact on Consumers' consolidated financial statements, and Consumers does not anticipate any additional impact to its consolidated financial statements upon adoption of additional standard requirements on July 1, 2003.

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CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

MARCH 31	THREE MONTHS ENDED 2003	2002
	In Millions	
OPERATING REVENUE		
Electric	$ 653	$ 609
Gas	789	616
Other	16	11
	1,458	1,236
OPERATING EXPENSES		
Operation		
Fuel for electric generation	80	67
Purchased power - related parties	132	141
Purchased and interchange power	82	61
Cost of gas sold	519	396
Cost of gas sold - related parties	25	30
Other	160	139
	998	834
Maintenance	52	50
Depreciation, depletion and amortization	116	107
General taxes	59	57
	1,225	1,048
OPERATING INCOME		
Electric	116	115
Gas	103	64
Other	14	9
	233	188
OTHER INCOME (DEDUCTIONS)		
Dividends and interest from affiliates	-	1
Accretion expense	(2)	(2)
Other, net	(8)	(1)
	(10)	(2)
INTEREST CHARGES		
Interest on long-term debt	42	33
Other interest	5	9
Capitalized interest	(2)	(2)
	45	40
INCOME BEFORE INCOME TAXES	178	146
INCOME TAXES	68	54
NET INCOME	110	92
PREFERRED SECURITIES DISTRIBUTIONS	11	11
NET INCOME AVAILABLE TO COMMON STOCKHOLDER	$ 99	$ 81

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

MARCH 31	THREE MONTHS ENDED 2003	2002
	In Millions	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$110	$ 92
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation, depletion and amortization (includes nuclear decommissioning of $2 and $2, respectively)	116	107
Deferred income taxes and investment tax credit	28	31
Loss on CMS Energy stock	12	-
Capital lease and other amortization	4	3
Undistributed earnings of related parties	(16)	(10)
Changes in assets and liabilities		
Decrease in inventories	238	193
Decrease in accounts payable	(5)	(32)
Increase in accounts receivable and accrued revenue	(50)	(54)
Changes in other assets and liabilities	(50)	(60)
Net cash provided by operating activities	387	270
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures (excludes assets placed under capital lease)	(114)	(142)
Cost to retire property, net	(18)	(15)
Investment in Electric Restructuring Implementation Plan	(2)	(3)
Investments in nuclear decommissioning trust funds	(2)	(2)
Proceeds from nuclear decommissioning trust funds	6	8
Cash receipts from asset sales	13	-
Net cash used in investing activities	(117)	(154)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in notes payable, net	(205)	(109)
Payment of common stock dividends	(78)	(55)
Retirement of bonds and other long-term debt	(35)	(344)
Preferred securities distributions	(11)	(11)
Payment of capital lease obligations	(3)	(3)
Redemption of preferred securities	-	(30)
Payment of preferred stock dividends	-	(1)
Stockholder's contribution	-	150
Proceeds from senior notes and bank loans	281	298
Net cash used in financing activities	(51)	(105)
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	219	11
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	271	17
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 490	$ 28
OTHER CASH FLOW ACTIVITIES AND NON-CASH INVESTING AND FINANCING ACTIVITIES WERE:		
CASH TRANSACTIONS		
Interest paid (net of amounts capitalized)	$ 61	$ 31
Income tax paid	5	-
Pension and OPEB cash contribution	18	61
NON-CASH TRANSACTIONS		
Other assets placed under capital leases	$ 8	$ 17

All highly liquid investments with an original maturity of three months or less are considered cash equivalents.
THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS.

CONSUMERS ENERGY COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS	MARCH 31 2003 (UNAUDITED)	DECEMBER 31 2002	MARCH 31 2002 (UNAUDITED)
			In Millions
PLANT (AT ORIGINAL COST)			
Electric	$7,356	$7,523	$7,733
Gas	2,787	2,719	2,625
Other	21	23	21
	10,164	10,265	10,379
Less accumulated depreciation, depletion and amortization	5,267	5,900	6,022
	4,897	4,365	4,357
Construction work-in-progress	487	548	532
	5,384	4,913	4,889
INVESTMENTS			
Stock of affiliates	10	22	54
First Midland Limited Partnership	259	255	257
Midland Cogeneration Venture Limited Partnership	405	388	316
Consumers Nuclear Services, LLC	2	2	2
	676	667	629
CURRENT ASSETS			
Cash and temporary cash investments at cost, which approximates market	490	271	28
Accounts receivable and accrued revenue, less allowances of $5, $4 and $3, respectively	279	236	183
Accounts receivable - related parties	15	13	15
Inventories at average cost			
Gas in underground storage	256	486	378
Materials and supplies	74	71	69
Generating plant fuel stock	26	37	50
Deferred property taxes	117	142	120
Regulatory assets	19	19	19
Other	53	38	18
	1,329	1,313	880
NON-CURRENT ASSETS			
Regulatory assets			
Securitized costs	678	689	714
Postretirement benefits	180	185	203
Abandoned Midland Project	11	11	11
Other	233	168	171
Nuclear decommissioning trust funds	529	536	576
Other	199	218	154
	1,830	1,807	1,829
TOTAL ASSETS	$9,219	$8,700	$8,227

STOCKHOLDERS' INVESTMENT AND LIABILITIES	MARCH 31 2003 (UNAUDITED)	DECEMBER 31 2002	MARCH 31 2002 (UNAUDITED)
			In Millions
CAPITALIZATION			
Common stockholder's equity			
Common stock	$ 841	$ 841	$ 841
Paid-in capital	682	682	782
Other Comprehensive Income	(175)	(179)	9
Retained earnings since December 31, 1992	566	545	467
	1,914	1,889	2,099
Preferred stock	44	44	44
Company-obligated mandatorily redeemable preferred securities of subsidiaries (a)	490	490	490
Long-term debt	2,724	2,442	2,433
Non-current portion of capital leases	121	116	85
	5,293	4,981	5,151
CURRENT LIABILITIES			
Current portion of long-term debt and capital leases	290	318	253
Notes payable	252	457	150
Notes payable- CMS Energy	-	-	157
Accounts payable	252	261	249
Accrued taxes	161	214	161
Accounts payable - related parties	88	84	97
Deferred income taxes	29	25	23
Current portion of purchased power contracts	26	26	24
Other	167	200	234
	1,265	1,585	1,348
NON-CURRENT LIABILITIES			
Deferred income taxes	961	949	808
Postretirement benefits	566	563	239
Regulatory liabilities for income taxes, net	311	297	276
Other Regulatory liabilities	152	4	
Asset Retirement Obligation	364	-	-
Power purchase agreement - MCV Partnership	21	27	47
Deferred investment tax credit	89	91	100
Other	197	203	258
	2,661	2,134	1,728
COMMITMENTS AND CONTINGENCIES (Notes 1 and 2)			
TOTAL STOCKHOLDERS' INVESTMENT AND LIABILITIES	$9,219	$8,700	$8,227

(a) See Note 3, Financings and Capitalization

THE ACCOMPANYING CONDENSED NOTES ARE AN INTEGRAL PART OF THESE BALANCE SHEETS.

CONSUMERS ENERGY COMPANY
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
(UNAUDITED)

MARCH 31	THREE MONTHS ENDED 2003	2002
		In Millions
COMMON STOCK		
At beginning and end of period (a)	$ 841	$ 841
OTHER PAID-IN CAPITAL		
At beginning of period	682	632
Stockholder's contribution	-	150
At end of period	682	782
OTHER COMPREHENSIVE INCOME		
Minimum Pension Liability		
At beginning of period	(185)	-
Minimum liability pension adjustments	-	-
At end of period	(185)	-
Investments		
At beginning of period	1	16
Unrealized loss on investments (b)	-	(3)
At end of period	1	13
Derivative Instruments (c)		
At beginning of period	5	(12)
Unrealized gain on derivative instruments (b)	7	5
Reclassification adjustments included in net income (b)	(3)	3
At end of period	9	(4)
RETAINED EARNINGS		
At beginning of period	545	441
Net income (b)	110	92
Cash dividends declared- Common Stock	(78)	(55)
Preferred securities distributions	(11)	(11)
At end of period	566	467
TOTAL COMMON STOCKHOLDER'S EQUITY	$1,914	$2,099

(a) Number of shares of common stock outstanding was 84,108,789 for all periods presented

(b) Disclosure of Comprehensive Income:

Other Comprehensive Income		
Investments		
Unrealized loss on investments, net of tax of $- and $2, respectively	$ -	$ (3)
Derivative Instruments (d)		
Unrealized gain on derivative instruments, net of tax of $4 and $3, respectively	7	5
Reclassification adjustments included in net income, net of tax of ($2) and $1, respectively	(3)	3
Net income	110	92
Total Comprehensive Income	$ 114	$ 97

(c) Included in these amounts is Consumers' proportionate share of the effects of derivative accounting related to its equity investment in the MCV Partnership as follows:

At the beginning of the period	$ 8	$ (8)
Unrealized gain on derivative instruments	7	5
Reclassification adjustments included in net income	(4)	2
At the end of period	$ 11	$ (1)

The accompanying notes are an integral part of these statements

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CONSUMERS ENERGY COMPANY
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

These interim Consolidated Financial Statements have been prepared by Consumers in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. Certain prior year amounts have been reclassified to conform to the presentation in the current year. In management's opinion, the unaudited information contained in this report reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented. The Condensed Notes to Consolidated Financial Statements and the related Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in the Consumers Form 10-K for the year ended December 31, 2002, which includes the Reports of Independent Auditors. Due to the seasonal nature of Consumers operations, the results as presented for this interim period are not necessarily indicative of results to be achieved for the fiscal year.

1: CORPORATE STRUCTURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATE STRUCTURE: Consumers, a subsidiary of CMS Energy, a holding company, is an electric and gas utility company that provides service to customers in Michigan's Lower Peninsula. Consumers' customer base includes a mix of residential, commercial and diversified industrial customers, the largest segment of which is the automotive industry.

COLLECTIVE BARGAINING AGREEMENT: As of December 31, 2002, 44 percent of Consumers' workforce was represented by the Utility Workers Union of America. Consumers and the Union negotiated a collective bargaining agreement that became effective as of June 1, 2000, and will continue in full force and effect until June 1, 2005. On March 26, 2003, Consumers reached a tentative agreement with the Union for a collective bargaining agreement for its Call Center employees. The agreement was effective April 1, 2003, and covers approximately 300 employees. The agreement will continue in full force and effect until August 1, 2005.

BASIS OF PRESENTATION: The consolidated financial statements include Consumers and its wholly owned subsidiaries. Consumers uses the equity method of accounting for investments in companies and partnerships where it has more than a twenty percent but less than a majority ownership interest and includes these results in operating income. Consumers prepared the financial statements in conformity with accounting principles generally accepted in the United States that include the use of management's estimates.

REPORTABLE SEGMENTS: Consumers has two reportable segments: electric and gas. The electric segment consists of activities associated with the generation and distribution of electricity. The gas segment consists of activities associated with the transportation, storage and distribution of natural gas. Consumers' reportable segments are domestic business units organized and managed by the nature of the product and service each provides. The accounting policies of the segments are the same as those described in Consumers' 2002 Form 10-K. Consumers' management has changed its evaluation of the performance of the electric and gas segments from operating income to net income available to common stockholder. The Consolidated Statements of Income show operating revenue and operating income by reportable segment. Intersegment sales and transfers are accounted for at current market prices and are eliminated in consolidated net income available to common stockholder by segment. Consumers' classifies its equity investments as a part of the other business unit. The other business unit also includes Consumers' consolidated statutory business trusts, which were created to issue preferred securities and Consumers' consolidated special purpose entity for the sale of trade receivables.

The net income available to common stockholder by reportable segment is as follows:

	In Millions	
March 31	Three Months Ended 2003	2002
Net income available to common stockholder		
Electric	$51	$50
Gas	54	28
Other	(6)	3
Total Consolidated	$99	$81

FINANCIAL INSTRUMENTS: Consumers accounts for its debt and equity investment securities in accordance with SFAS No. 115. As such, debt and equity securities can be classified into one of three categories: held-to-maturity, trading, or available-for-sale securities. Consumers' investments in equity securities, including its investment in CMS Energy Common Stock, are classified as available-for-sale securities. They are reported at fair value, with any unrealized gains or losses from changes in fair value reported in equity as part of other comprehensive income and excluded from earnings, unless such changes in fair value are other than temporary. In 2002, Consumers determined that the decline in value related to its investment in CMS Energy Common Stock was other than temporary as the fair value was below the cost basis for a period greater than six months. As a result, Consumers recognized a loss on its investment in CMS Energy Common Stock through earnings of $12 million in the fourth quarter of 2002 and an additional $12 million loss in the first quarter of 2003. As of March 31, 2003, Consumers held 2.4 million shares of CMS Energy Common Stock with a fair value of $10 million. Unrealized gains or losses from changes in the fair value of Consumers' nuclear decommissioning investments are reported as regulatory liabilities. The fair value of these investments is determined from quoted market prices.

UTILITY REGULATION: Consumers accounts for the effects of regulation based on the regulated utility accounting standard SFAS No. 71. As a result, the actions of regulators affect when Consumers recognizes revenues, expenses, assets and liabilities.

In March 1999, Consumers received MPSC electric restructuring orders, which, among other things, identified the terms and timing for implementing electric restructuring in Michigan. Consistent with these orders and EITF No. 97-4, Consumers discontinued the application of SFAS No. 71 for the energy supply portion of its business because Consumers expected to implement retail open access at competitive market based rates for its electric customers. Discontinuation of SFAS No. 71 for the energy supply portion of Consumers' business resulted in Consumers reducing the carrying value of its Palisades plant-related assets, in 1999, by approximately $535 million and establishing a regulatory asset for a corresponding amount. As of March 31, 2003, Consumers had a net investment in energy supply facilities of $1.554 billion included in electric plant and property.

Since 1999, there has been a significant legislative and regulatory change in Michigan that has resulted in: 1) electric supply customers of utilities remaining on cost-based rates and 2) utilities being given the ability to recover Stranded Costs associated with electric restructuring, from customers who choose an alternative electric supplier. During 2002, Consumers re-evaluated the criteria used to determine if an entity or a segment of an entity meets the requirements to apply regulated utility accounting, and determined that the energy supply portion of its business could meet the criteria if certain regulatory events occurred. In December 2002, Consumers received a MPSC Stranded Cost order that allowed Consumers to re-apply regulatory accounting standard SFAS No. 71 to the energy supply portion of its business. Re-application of

SFAS No. 71 had no effect on the prior discontinuation accounting, but will allow Consumers to apply regulatory accounting treatment to the energy supply portion of its business beginning in the fourth quarter of 2002, including regulatory accounting treatment of costs required to be recognized in accordance with SFAS No. 143. See Note 2, Uncertainties, "Electric Rate Matters - Electric Restructuring."

SFAS No. 144 imposes strict criteria for retention of regulatory-created assets by requiring that such assets be probable of future recovery at each balance sheet date. Management believes these assets are probable of future recovery.

SFAS NO. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE: Issued by the FASB in December 2002, this standard provides for alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, the statement amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of the statement were effective as of December 31, 2002 and interim disclosure provisions are effective for interim financial reports starting in 2003. Consumers decided to voluntarily adopt the fair value based method of accounting for stock-based employee compensation effective December 31, 2002, applying the prospective method of adoption which requires recognition of all employee awards granted, modified, or settled after the beginning of the year in which the recognition provisions are first applied. The following table shows the amounts that would have been included in net income had the fair value method been applied to all awards granted in the first quarter of 2002:

	In Millions
Three Months Ended March 31	2002
Net income, as reported	$92
Add: Stock-based employee compensation expense included in reported net income, net of related taxes	-
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related taxes	(1)
Pro forma net income	$91

2: UNCERTAINTIES

Several business trends or uncertainties may affect Consumers' financial results and condition. These trends or uncertainties have, or Consumers reasonably expects could have, a material impact on net sales, revenues, or income from continuing electric operations. Such trends and uncertainties are discussed in detail below and include: 1) pending litigation and government investigations; 2) the need to make additional capital expenditures and increase operating expenses for Clean Air Act compliance; 3) environmental liabilities arising from various federal, state and local environmental laws and regulations, including potential liability or expenses relating to the Michigan Natural Resources and Environmental Protection Acts and Superfund; 4) electric industry restructuring issues; 5) Consumers' ability to meet peak electric demand requirements at a reasonable cost, without market disruption, and successfully implement initiatives to reduce exposure to purchased power price increases; 6) the recovery of electric restructuring implementation costs; 7) Consumers' new status as an electric transmission customer and not as an electric transmission owner/operator; 8) sufficient reserves for OATT rate refunds; 9) uncertainties relating to the storage and ultimate disposal of spent nuclear fuel; 10) the effects of derivative accounting and potential earnings volatility; 11) potential environmental costs at a number of sites, including sites formerly housing manufactured gas plant facilities; 12) future gas industry restructuring initiatives; 13) any initiatives undertaken to protect customers against gas price increases; 14) an inadequate regulatory response to applications for requested rate increases; 15) market and regulatory responses to increases in gas costs, including a reduced average use per residential customer; and 16) increased costs for pipeline integrity and safety and homeland security initiatives that are not recoverable on a timely basis from customers.

SEC AND OTHER INVESTIGATIONS: As a result of the round-trip trading transactions at CMS MST, CMS Energy's Board of Directors established a Special Committee of independent directors to investigate matters surrounding the transactions and retained outside counsel to assist in the investigation. The Special Committee completed its investigation and reported its findings to the Board of Directors in October 2002. The Special Committee concluded, based on an extensive investigation, that the round-trip trades were undertaken to raise CMS MST's profile as an energy marketer with the goal of enhancing its ability to promote its services to new customers. The Special Committee found no apparent effort to manipulate the price of CMS Energy Common Stock or affect energy prices. The Special Committee also made recommendations designed to prevent any reoccurrence of this practice, most of which have already been implemented. Previously, CMS

Energy terminated its speculative trading business and revised its risk management policy. The Board of Directors adopted, and CMS Energy has begun implementing, the remaining recommendations of the Special Committee.

CMS Energy is cooperating with other investigations concerning round-trip trading, including an investigation by the SEC regarding round-trip trades and CMS Energy's financial statements, accounting policies and controls, and investigations by the United States Department of Justice, the Commodity Futures Trading Commission and the FERC. The FERC issued an order on April 30, 2003 directing eight companies, including CMS MST, to submit written demonstrations within forty-five days that they have taken certain specified remedial measures with respect to the reporting of natural gas trading data to publications that compile and publish price indices. CMS MST intends to make a written submission within the specified time period demonstrating compliance with the FERC's directives. Other than the FERC investigation, CMS Energy is unable to predict the outcome of these matters, and Consumers is unable to predict what effect, if any, these investigations will have on its business.

SECURITIES CLASS ACTION LAWSUITS: Beginning on May 17, 2002, a number of securities class action complaints were filed against CMS Energy, Consumers, and certain officers and directors of CMS Energy and its affiliates. The complaints were filed as purported class actions in the United States District Court for the Eastern District of Michigan. The cases were consolidated into a single lawsuit and an amended and consolidated class action complaint was filed on May 1, 2003. The defendants named in the amended and consolidated class action complaint consist of CMS Energy, Consumers, certain officers and directors of CMS Energy and its affiliates, and certain underwriters of CMS Energy securities. The purported class period is from May 1, 2000 through and including March 31, 2003. The amended and consolidated class action complaint seeks unspecified damages based on allegations that the defendants violated United States securities laws and regulations by making allegedly false and misleading statements about CMS Energy's business and financial condition. CMS Energy and Consumers intend to vigorously defend against this action, but cannot predict the outcome of this litigation.

ERISA CASES: Consumers is a named defendant, along with CMS Energy, CMS MST and certain named and unnamed officers and directors in two lawsuits brought as purported class actions on behalf of participants and beneficiaries of the 401(k) plan. The two cases, filed in July 2002 in the United States District Court for the Eastern District of Michigan, were consolidated by the trial judge and an amended and consolidated complaint has been filed. Plaintiffs allege breaches of fiduciary duties under ERISA and seek restitution on behalf of the plan with respect to a decline in value of the shares of CMS Energy Common Stock held in the plan. Plaintiffs also seek other equitable relief and legal fees. These cases will be vigorously defended. Consumers cannot predict the outcome of this litigation.

ELECTRIC CONTINGENCIES

ELECTRIC ENVIRONMENTAL MATTERS: Consumers is subject to costly and increasingly stringent environmental regulations. Consumers expects that the cost of future environmental compliance, especially compliance with clean air laws, will be significant.

Clean Air - In 1998, the EPA issued regulations requiring the state of Michigan to further limit nitrogen oxide emissions. The Michigan Department of Environmental Quality finalized rules to comply with the EPA regulations in December 2002 and submitted these rules for approval to the EPA in the first quarter of 2003. In addition, the EPA has also issued additional regulations regarding nitrogen oxide emissions that require certain generators, including some of Consumers' electric generating facilities, to achieve the same emissions rate as that required by the 1998 regulations. The EPA and the state regulations require Consumers to make significant capital expenditures estimated to be $770 million. As of March 31, 2003, Consumers has incurred $420 million in capital expenditures to comply with the EPA regulations and anticipates that the remaining capital expenditures will be incurred between 2003 and 2009. Additionally, Consumers currently expects to supplement its compliance plan with the purchase of nitrogen oxide emissions credits for years 2005 through 2008. The cost of these credits based on the current market is estimated to average $6 million per year; however, the market for nitrogen oxide emissions credits and their price could change significantly. Based on the Customer Choice Act, beginning January 2004, an annual return of and on these types of capital expenditures, to the extent they are above depreciation levels, is expected to be recoverable from customers, subject to an MPSC prudency hearing.

Cleanup and Solid Waste - Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. Consumers believes that these costs will be recoverable in rates under current ratemaking policies.

Consumers is a potentially responsible party at several contaminated sites administered under Superfund. Superfund liability is joint and several. Along with Consumers, many other creditworthy, potentially responsible parties with substantial assets cooperate with respect to the individual sites. Based upon past

negotiations, Consumers estimates that its share of the total liability for the known Superfund sites will be between $1 million and $9 million. As of March 31, 2003, Consumers had accrued the minimum amount of the range for its estimated Superfund liability.

During routine maintenance activities, Consumers identified PCB as a component in certain paint, grout and sealant materials at the Ludington Pumped Storage facility. Consumers removed and replaced part of the PCB material. Consumers has proposed a plan to deal with the remaining materials and is awaiting a response from the EPA.

ELECTRIC RATE MATTERS

ELECTRIC RESTRUCTURING: In June 2000, the Michigan legislature passed electric utility restructuring legislation known as the Customer Choice Act. This act: 1) permits all customers to choose their electric generation supplier beginning January 1, 2002; 2) cut residential electric rates by five percent; 3) freezes all electric rates through December 31, 2003, and establishes a rate cap for residential customers through at least December 31, 2005, and a rate cap for small commercial and industrial customers through at least December 31, 2004; 4) allows for the use of low-cost Securitization bonds to refinance qualified costs, as defined by the act; 5) establishes a market power supply test that may require transferring control of generation resources in excess of that required to serve firm retail sales requirements (On March 31, 2003, Consumers filed an application with the MPSC that seeks confirmation that Consumers is in compliance with the market power test set forth in the Customer Choice Act); 6) requires Michigan utilities to join a FERC-approved RTO or divest their interest in transmission facilities to an independent transmission owner (Consumers has sold its interest in its transmission facilities to an independent transmission owner, see "Transmission" below); 7) requires Consumers, Detroit Edison and American Electric Power to jointly expand their available transmission capability by at least 2,000 MW; 8) allows deferred recovery of an annual return of and on capital expenditures in excess of depreciation levels incurred during and before the rate freeze/cap period; and 9) allows recovery of "net" Stranded Costs and implementation costs incurred as a result of the passage of the act. In July 2002, the MPSC issued an order approving the plan to achieve the increased transmission capacity. Consumers has completed the transmission capacity projects identified in the plan and has submitted verification of this fact to the MPSC. Consumers believes it is in full compliance with item 7 above.

In 1998, Consumers submitted a plan for electric retail open access to the MPSC. In March 1999, the MPSC issued orders generally supporting the plan. The Customer Choice Act states that the MPSC orders issued before June 2000 are in compliance with this act and enforceable by the MPSC. Those MPSC orders: 1) allow electric customers to choose their supplier; 2) authorize recovery of "net" Stranded Costs and implementation costs; and 3) confirm any voluntary commitments of electric utilities. In September 2000, as required by the MPSC, Consumers once again filed tariffs governing its retail open access program and made revisions to comply with the Customer Choice Act. In December 2001, the MPSC approved revised retail open access tariffs. The revised tariffs establish the rates, terms, and conditions under which retail customers will be permitted to choose an alternative electric supplier. The tariffs, effective January 1, 2002, did not require significant modifications in the existing retail open access program. The tariff terms allow retail open access customers, upon as little as 30 days notice to Consumers, to return to Consumers' generation service at current tariff rates. If any class of customers' (residential, commercial, or industrial) retail open access load reaches 10 percent of Consumers' total load for that class of customers, then returning retail open access customers for that class must give 60 days notice to return to Consumers' generation service at current tariff rates. However, Consumers may not have sufficient, reasonably priced, capacity to meet the additional demand of returning retail open access customers, and may be forced to purchase electricity on the spot market at higher prices than it could recover from its customers. Consumers cannot predict the total amount of electric supply load that may be lost to competitor suppliers, nor whether the stranded cost recovery method adopted by the MPSC will be applied in a manner that will fully offset any associated margin loss.

SECURITIZATION: The Customer Choice Act allows for the use of low-cost Securitization bonds to refinance certain qualified costs, as defined by the act. Securitization typically involves issuing asset-backed bonds with a higher credit rating than conventional utility corporate financing. In 2000 and 2001, the MPSC issued orders authorizing Consumers to issue Securitization bonds. Consumers issued its first Securitization bonds in 2001. Securitization resulted in lower interest costs and a longer amortization period for the securitized assets, and offset the majority of the impact of the required residential rate reduction. The Securitization orders directed Consumers to apply any cost savings in excess of the five percent residential rate reduction to rate reductions for non-residential customers and reductions in Stranded Costs for retail open access customers after the bonds are sold. Excess savings are approximately $12 million annually.

Consumers and Consumers Funding will recover the repayment of principal, interest and other expenses relating to the bond issuance through a securitization charge and a tax charge that began in December 2001. These charges are subject to an annual true-up until one year prior to the last expected bond maturity date, and no more than quarterly thereafter. The first true-up occurred in November 2002, and prospectively modified the total securitization and related tax charges from 1.677 mills per kWh to 1.746 mills per kWh. Current electric rate design covers these charges, and there will be no rate impact for most Consumers electric customers until the Customer Choice Act rate freeze expires. Securitization charge collections, $13 million for the three months ended March 31, 2003, and $12 million for the three months ended March 31, 2002, are remitted to a trustee for the Securitization bonds. Securitization charge collections are dedicated for the repayment of the principal and interest on the Securitization bonds and payment of the ongoing expenses of Consumers Funding and can only be used for those purposes. Consumers Funding is legally separate from Consumers. The assets and income of Consumers Funding, including without limitation, the securitized property, are not available to creditors of Consumers or CMS Energy.

In March 2003, Consumers filed an application with the MPSC seeking approval to issue Securitization bonds in the amount of approximately $1.084 billion. If approved, this would allow the recovery of costs and reduce interest rates associated with financing Clean Air Act expenditures, post-2000 Palisades expenditures, and retail open access implementation costs through December 31, 2003, and certain pension fund expenses, and expenses associated with the issuance of the bonds.

TRANSMISSION: In 2002, Consumers sold its electric transmission system (METC) to MTH, a non-affiliated limited partnership whose general partner is a subsidiary of Trans-Elect Inc.

As a result of the sale, Consumers anticipates its after-tax earnings will be decreased by $15 million in 2003, and decrease by approximately $14 million annually for the next three years due to a loss of revenue from wholesale and retail open access customers who will buy services directly from MTH and the loss of a return on the sold electric transmission system.

Under an agreement with MTH, and subject to certain additional RTO surcharges, transmission rates charged to Consumers are fixed by contract at current levels through December 31, 2005, and subject to FERC ratemaking thereafter. MTH has completed the capital program to expand the transmission system's capability to import electricity into Michigan, as required by the Customer Choice Act, and Consumers will continue to maintain the system under a five-year contract with MTH.

When IPPs connect to transmission systems, they pay transmission companies the capital costs incurred to connect the IPP to the transmission system and make system upgrades needed for the interconnection. It is the FERC's policy that the system upgrade portion of these IPP payments be credited against transmission service charges over time as transmission service is taken. METC recorded a $35 million liability for IPP credits. Subsequently, MTH assumed this liability as part of its purchase of the electric transmission system. Several months after METC started operation, the FERC changed its policy to provide for interest on IPP

payments that are to be credited. The $35 million liability for IPP credits did not include interest since the associated interconnection agreements did not at that time provide for interest. MTH had asserted that Consumers might be liable for interest on the IPP payments to be credited if interest provisions were added to these agreements. However, in January 2003, the FERC changed and clarified its approach to contracts that were entered into before the FERC started allowing the crediting of interest, and as a result, Consumers believes that there is no longer any such potential liability under the current FERC policy.

POWER SUPPLY COSTS: During periods when electric demand is high, the cost of purchasing electricity on the spot market can be substantial. To reduce Consumers' exposure to the fluctuating cost of electricity, and to ensure adequate supply to meet demand, Consumers intends to maintain sufficient generation and to purchase electricity from others to create a power supply reserve, also called a reserve margin. The reserve margin provides additional power supply capability above Consumers' anticipated peak power supply demands. It also allows Consumers to provide reliable service to its electric service customers and to protect itself against unscheduled plant outages and unanticipated demand. In recent years, Consumers has planned for a reserve margin of approximately 15 percent from a combination of its owned electric generating plants and electricity purchase contracts or options, as well as other arrangements. However, in light of various factors, including the addition of new generating capacity in Michigan and throughout the Midwest region and additional transmission import capability, Consumers is continuing to evaluate the appropriate reserve margin for 2003 and beyond. Currently, Consumers has an estimated reserve margin of approximately 11 percent for summer 2003 or supply resources equal to 111 percent of projected summer peak load. Of the 111 percent, approximately 101 percent is met from owned electric generating plants and long-term power purchase contracts and 10 percent from short-term contracts and options for physical deliveries and other agreements. The ultimate use of the reserve margin will depend primarily on summer weather conditions, the level of retail open access requirements being served by others during the summer, and any unscheduled plant outages. As of early May 2003, alternative electric suppliers are providing 571 MW of generation supply to ROA customers. Consumers' reserve margin does not include generation being supplied by other alternative electric suppliers under the ROA program.

To reduce the risk of high electric prices during peak demand periods and to achieve its reserve margin target, Consumers employs a strategy of purchasing electric call option and capacity and energy contracts for the physical delivery of electricity primarily in the summer months and to a lesser degree in the winter months. As of March 31, 2003, Consumers had purchased or had commitments to purchase electric call option and capacity and energy contracts partially covering the estimated reserve margin requirements for 2003 through 2007. As a result, Consumers has a recognized asset of $28 million for unexpired call options and capacity and energy contracts. The total cost of electricity call option and capacity and energy contracts for 2003 is expected to be approximately $9 million.

Prior to 1998, the PSCR process provided for the reconciliation of actual power supply costs with power supply revenues. This process assured recovery of all reasonable and prudent power supply costs actually incurred by Consumers, including the actual cost for fuel, and purchased and interchange power. In 1998, as part of the electric restructuring efforts, the MPSC suspended the PSCR process, and would not grant adjustment of customer rates through 2001. As a result of the rate freeze imposed by the Customer Choice Act, the current rates will remain in effect until at least December 31, 2003 and, therefore, the PSCR process remains suspended. Therefore, changes in power supply costs as a result of fluctuating electricity prices will not be reflected in rates charged to Consumers' customers during the rate freeze period.

ELECTRIC PROCEEDINGS: The Customer Choice Act allows electric utilities to recover the act's implementation costs and "net" Stranded Costs (without defining the term). The act directs the MPSC to establish a method of calculating "net" Stranded Costs and of conducting related true-up adjustments. In December 2001, the MPSC adopted a methodology which calculated "net" Stranded Costs as the shortfall between: (a) the revenue required to cover the costs associated with fixed generation assets, generation-related regulatory assets, and

capacity payments associated with purchase power agreements, and (b) the revenues received from customers under existing rates available to cover the revenue requirement. The MPSC authorized Consumers to use deferred accounting to recognize the future recovery of costs determined to be stranded. Consumers has initiated an appeal at the Michigan Court of Appeals related to the MPSC's December 2001 "net" Stranded Cost order.

According to the MPSC, "net" Stranded Costs were to be recovered from retail open access customers through a Stranded Cost transition charge. In April 2002, Consumers made "net" Stranded Cost filings with the MPSC for $22 million for 2000 and $43 million for 2001. In the same filing, Consumers estimated that it would experience "net" Stranded Costs of $126 million for 2002. Consumers in its hearing brief, filed in August 2002, revised its request for Stranded Costs to $7 million and $4 million for 2000 and 2001, respectively, and an estimated $73 million for 2002. The single largest reason for the difference in the filing was the exclusion, as ordered by the MPSC, of all costs associated with expenditures required by the Clean Air Act.

In December 2002, the MPSC issued an order finding that Consumers experienced zero "net" Stranded Costs in 2000 and 2001, but declined to establish a defined methodology that would allow a reliable prediction of the level of Stranded Costs for 2002 and future years. In January 2003, Consumers filed a petition for rehearing of the December 2002 Stranded Cost order in which it asked the MPSC to grant a rehearing and revise certain features of the order. Several other parties also filed rehearing petitions with the MPSC. As noted above, Consumers has filed a request with the MPSC for authority to issue securitization bonds that would allow recovery of the Clean Air Act expenditures that were excluded from the Stranded Cost calculation and post-2000 Palisades expenditures.

On March 4, 2003, Consumers filed an application with the MPSC seeking approval of "net" Stranded Costs incurred in 2002, and for approval of a "net" Stranded Cost recovery charge. In the application, Consumers indicated that if Consumers' proposal to securitize Clean Air Act expenditures and post-2000 Palisades' expenditures were approved as proposed in its securitization case as discussed above, then Consumers' "net" Stranded Costs incurred in 2002 are approximately $35 million. If the proposal to securitize those costs is not approved, then Consumers indicated that the costs would be properly included in the 2002 "net" Stranded Cost calculation, which would increase Consumers' 2002 "net" Stranded Costs to approximately $103 million. Consumers cannot predict the recoverability of Stranded Costs, and therefore has not recorded any regulatory assets to recognize the future recovery of such costs.

The MPSC staff has scheduled a collaborative process to discuss Stranded Costs and related issues and to identify and make recommendations to the MPSC. Consumers is participating in this collaborative process.

Since 1997, Consumers has incurred significant electric utility restructuring implementation costs. The following table outlines the applications filed by Consumers with the MPSC and the status of recovery for these costs.

In Millions

Year Filed	Year Incurred	Requested	Pending	Allowed	Disallowed
1999	1997 & 1998	$ 20	$ -	$ 15	$ 5
2000	1999	30	-	25	5
2001	2000	25	-	20	5
2002	2001	8	8	Pending	Pending
2003	2002	2	2	Pending	Pending

The MPSC disallowed certain costs based upon a conclusion that these amounts did not represent costs

incremental to costs already reflected in electric rates. In the orders received for the years 1997 through 2000, the MPSC also reserved the right to review again the total implementation costs depending upon the progress and success of the retail open access program, and ruled that due to the rate freeze imposed by the Customer Choice Act, it was premature to establish a cost recovery method for the allowable implementation costs. In addition to the amounts shown above, as of March 31, 2003, Consumers incurred and deferred as a regulatory asset, $2 million of additional implementation costs and has also recorded as a regulatory asset $14 million for the cost of money associated with total implementation costs. Consumers believes the implementation costs and the associated cost of money are fully recoverable in accordance with the Customer Choice Act. Cash recovery from customers will probably begin after the rate freeze or rate cap period has expired. As discussed above, Consumers has asked to include implementation costs through December 31, 2003 in the pending securitization case. If approved, the sale of Securitization bonds will allow for the recovery of these costs. Consumers cannot predict the amounts the MPSC will approve as allowable costs.

Consumers is also pursuing authorization at the FERC for MISO to reimburse Consumers for approximately $8 million in certain electric utility restructuring implementation costs related to its former participation in the development of the Alliance RTO, a portion of which has been expensed. However, Consumers cannot predict the amount the FERC will ultimately order to be reimbursed by the MISO.

In 1996, Consumers filed new OATT transmission rates with the FERC for approval. Interveners contested these rates, and hearings were held before an ALJ in 1998. In 1999, the ALJ made an initial decision that was largely upheld by the FERC in March 2002, which requires Consumers to refund, with interest, over-collections for past services as measured by the FERC's finally approved OATT rates. Since the initial decision, Consumers has been reserving a portion of revenues billed to customers under the filed 1996 OATT rates. Consumers submitted revised rates to comply with the FERC final order in June 2002. Those revised rates were accepted by the FERC in August 2002 and Consumers is in the process of computing refund amounts for individual customers. Consumers believes its reserve is sufficient to satisfy its refund obligation. As of April 2003, Consumers had paid $19 million in refunds.

In November 2002, the MPSC, upon its own motion, commenced a contested proceeding requiring each utility to give reason as to why its rates should not be reduced to reflect new personal property multiplier tables, and why it should not refund any amounts that it receives as refunds from local governments as they implement the new multiplier tables. Consumers responded to the MPSC that it believes that refunds would be inconsistent with the electric rate freeze that is currently in effect, and may otherwise be unlawful. Consumers is unable to predict the outcome of this matter.

OTHER ELECTRIC UNCERTAINTIES

THE MIDLAND COGENERATION VENTURE: The MCV Partnership, which leases and operates the MCV Facility, contracted to sell electricity to Consumers for a 35-year period beginning in 1990 and to supply electricity and steam to Dow. Consumers, through two wholly owned subsidiaries, holds the following assets related to the MCV Partnership and MCV Facility: 1) CMS Midland owns a 49 percent general partnership interest in the MCV Partnership; and 2) CMS Holdings holds, through FMLP, a 35 percent lessor interest in the MCV Facility.

Consumers' consolidated retained earnings includes undistributed earnings from the MCV Partnership, which at March 31, 2003 and 2002 are $233 million and $187 million, respectively.

Summarized Statements of Income for CMS Midland and CMS Holdings

	In Millions	
March 31	2003	2002
Operating income	$16	$9
Income taxes and other	5	3
Net income	$11	$6

Power Supply Purchases from the MCV Partnership - Consumers' annual obligation to purchase capacity from the MCV Partnership is 1,240 MW through the term of the PPA ending in 2025. The PPA requires Consumers to pay, based on the MCV Facility's availability, a levelized average capacity charge of 3.77 cents per kWh and a fixed energy charge, and also to pay a variable energy charge based primarily on Consumers' average cost of coal consumed for all kWh delivered. Since January 1, 1993, the MPSC has permitted Consumers to recover capacity charges averaging 3.62 cents per kWh for 915 MW, plus a substantial portion of the fixed and variable energy charges. Since January 1, 1996, the MPSC has also permitted Consumers to recover capacity charges for the remaining 325 MW of contract capacity with an initial average charge of 2.86 cents per kWh increasing periodically to an eventual 3.62 cents per kWh by 2004 and thereafter. However, due to the current freeze of Consumers' retail rates that the Customer Choice Act requires, the capacity charge for the 325 MW is now frozen at 3.17 cents per kWh. Recovery of both the 915 MW and 325 MW portions of the PPA are subject to certain limitations discussed below. After September 2007, the PPA's regulatory out terms obligate Consumers to pay the MCV Partnership only those capacity and energy charges that the MPSC has authorized for recovery from electric customers.

In 1992, Consumers recognized a loss and established a PPA liability for the present value of the estimated future underrecoveries of power supply costs under the PPA based on MPSC cost recovery orders. Primarily as a result of the MCV Facility's actual availability being greater than management's original estimates, the PPA liability has been reduced at a faster rate than originally anticipated. At March 31, 2003 and 2002, the remaining after-tax present value of the estimated future PPA liability associated with the loss totaled $30 million and $46 million, respectively. The PPA liability is expected to be depleted in late 2004. For further discussion on the impact of the frozen PSCR, see "Electric Rate Matters" in this Note.

In March 1999, Consumers and the MCV Partnership reached a settlement agreement effective January 1, 1999, that addressed, among other things, the ability of the MCV Partnership to count modifications increasing the capacity of the existing MCV Facility for purposes of computing the availability of contract capacity under the PPA for billing purposes. That settlement agreement capped payments made on the basis of availability that may be billed by the MCV Partnership at a maximum 98.5 percent availability level.

When Consumers returns, as expected, to unfrozen rates beginning in 2004, Consumers will recover from customers capacity and fixed energy charges on the basis of availability, to the extent that availability does not exceed 88.7 percent availability established in previous MPSC orders. For capacity and energy payments billed by the MCV Partnership after September 15, 2007, and not recovered from customers, Consumers would expect to claim a regulatory out under the PPA. The regulatory out provision relieves Consumers of the obligation to pay more for capacity and energy payments than the MPSC allows Consumers to collect from its customers. Consumers estimates that 51 percent of the actual cash underrecoveries for the years 2003 and 2004 will be charged to the PPA liability, with the remaining portion charged to operating expense as a result of Consumers' 49 percent ownership in the MCV Partnership. All cash underrecoveries will be expensed directly to income once the PPA liability is depleted. If the MCV Facility's generating availability remains at the maximum 98.5 percent level during the next five years, Consumers' after-tax cash

underrecoveries associated with the PPA could be as follows:

In Millions	2003	2004	2005	2006	2007
Estimated cash underrecoveries at 98.5%, net of tax	$37	$36	$36	$36	$25
Amount to be charged to operating expense, net of tax	$18	$18	$36	$36	$25
Amount to be charged to PPA liability, net of tax	$19	$18	$ -	$ -	$ -

In February 1998, the MCV Partnership appealed the January 1998 and February 1998 MPSC orders related to electric utility restructuring. At the same time, MCV Partnership filed suit in the United States District Court in Grand Rapids seeking a declaration that the MPSC's failure to provide Consumers and MCV Partnership a certain source of recovery of capacity payments after 2007 deprived MCV Partnership of its rights under the Public Utilities Regulatory Policies Act of 1978. In July 1999, the District Court granted MCV Partnership's motion for summary judgment. The Court permanently prohibited enforcement of the restructuring orders in any manner that denies any utility the ability to recover amounts paid to qualifying facilities such as the MCV Facility or that precludes the MCV Partnership from recovering the avoided cost rate. The MPSC appealed the Court's order to the 6th Circuit Court of Appeals in Cincinnati. In June 2001, the 6th Circuit overturned the lower court's order and dismissed the case against the MPSC. The appellate court determined that the case was premature and concluded that the qualifying facilities needed to wait until 2008 for an actual factual record to develop before bringing claims against the MPSC in federal court.

NUCLEAR MATTERS: Throughout 2002, Big Rock, currently in decommissioning, progressed on plan with building and equipment dismantlement to return the site to a natural setting free for any future use. Periodic NRC inspection reports continued to reflect positively on Big Rock project performance. The NRC found all decommissioning activities were performed in accordance with applicable regulatory and license conditions.

In February 2003, the NRC completed its end-of-cycle plant performance assessment of Palisades. The end-of-cycle review for Palisades covered the 2002 calendar year. The NRC determined that Palisades was operated in a manner that preserved public health and safety and fully met all cornerstone objectives. Based on the plant's performance, only regularly scheduled inspections are planned through March 2004. The NRC noted that they are planning inspections of the new independent spent fuel storage facility as needed during construction activities along with routine inspections for the new security requirements.

Spent Nuclear Fuel Storage: During the fourth quarter of 2002, equipment fabrication, assembly and testing was completed at Big Rock on NRC approved transportable steel and concrete canisters or vaults, commonly known as "dry-casks", for temporary onsite storage of spent fuel and movement of fuel from the fuel pool to dry casks began. As of March 31, 2003, all of the seven dry casks had been loaded with spent fuel. These transportable dry casks will remain onsite until the DOE moves the material to a permanent national fuel repository.

At Palisades, the amount of spent nuclear fuel discharged from the reactor to date exceeds Palisades' temporary on-site storage pool capacity. Consequently, Consumers is using NRC-approved steel and concrete vaults, "dry casks," for temporary on-site storage. As of March 31, 2003, Consumers had loaded 18 dry casks with spent nuclear fuel at Palisades. Palisades will need to load additional dry casks by the fall of 2004 in order to continue operation. Palisades currently has three empty storage-only dry casks on-site, with storage pad capacity for up to seven additional loaded dry casks. Consumers anticipates that licensed transportable dry casks for additional storage, along with more storage pad capacity, will be available prior to 2004.

In 1997, a U.S. Court of Appeals decision confirmed that the DOE was to begin accepting deliveries of spent nuclear fuel for disposal by January 31, 1998. Subsequent U.S. Court of Appeals litigation in which Consumers and certain other utilities participated has not been successful in producing more specific relief for the DOE's failure to comply.

In July 2000, the DOE reached a settlement agreement with one utility to address the DOE's delay in accepting spent fuel. The DOE may use that settlement agreement as a framework that it could apply to other nuclear power plants. However, certain other utilities challenged the validity of the mechanism for funding the settlement in an appeal, and the reviewing court sustained their challenge. Additionally, there are two court decisions that support the right of utilities to pursue damage claims in the United States Court of Claims against the DOE for failure to take delivery of spent fuel. A number of utilities have commenced litigation in the Court of Claims, including Consumers, which filed its complaint in December 2002. The Chief Judge of the Court of Claims identified six lead cases to be used as vehicles for resolving dispositive motions. Consumers' case is not a lead case. It is unclear what impact this decision by the Chief Judge will have on the outcome of Consumers' litigation. If the litigation that was commenced in the fourth quarter of 2002, against the DOE is successful, Consumers anticipates future recoveries from the DOE to defray the significant costs it will incur for the storage of spent fuel until the DOE takes possession as required by law.

As of March 31, 2003, Consumers has a recorded liability to the DOE of $138 million, including interest, which is payable upon the first delivery of spent nuclear fuel to the DOE. Consumers recovered through electric rates the amount of this liability, excluding a portion of interest.

On March 26, 2003, the Michigan Environmental Council, the Public Interest Research Group in Michigan, and the Michigan Consumer Federation submitted a complaint to the MPSC, which was served on Consumers by the MPSC on April 18, 2003. The complaint asks the MPSC to commence a generic investigation and contested case to review all facts and issues concerning costs associated with spent nuclear fuel storage and disposal. The complaint seeks a variety of relief with respect to Consumers Energy, The Detroit Edison Company, Indiana & Michigan Electric Company, Wisconsin Electric Power Company and Wisconsin Public Service Corporation, including establishing external trusts to which amounts collected in electric rates for spent nuclear fuel storage and disposal should be transferred, and the adoption of additional measures related to the storage and disposal of spent nuclear fuel. Consumers is reviewing the complaint and, at this time, is unable to predict the outcome of this matter.

In July 2002, Congress approved and the President signed a bill designating the site at Yucca Mountain, Nevada, for the development of a repository for the disposal of high-level radioactive waste and spent nuclear fuel. The next step will be for the DOE to submit an application to the NRC for a license to begin construction of the repository. The application and review process is estimated to take several years.

Palisades Plant Operations: In March 2002, corrosion problems were discovered in the reactor head at an unaffiliated nuclear power plant in Ohio. As a result, the NRC requested that all United States nuclear plants utilizing pressurized water reactors to provide reports detailing their reactor head inspection histories, design capabilities and future inspection plans. In response to the issues identified at this and other nuclear plants worldwide, a bare metal visual inspection was completed on the Palisades reactor vessel head during the spring 2003 refueling outage. No indication of leakage was detected on any of the 54 penetrations.

Insurance: Consumers maintains primary and excess nuclear property insurance from NEIL, totaling $2.7 billion in recoverable limits for the Palisades nuclear plant. Consumers also procures coverage from NEIL that would partially cover the cost of replacement power during certain prolonged accidental outages at Palisades. NEIL's policies include coverage for acts of terrorism.

Consumers retains the risk of loss to the extent of the insurance deductibles and to the extent that its loss exceeds its policy limits. Because NEIL is a mutual insurance company, Consumers could be subject to assessments from NEIL up to $25.8 million in any policy year if insured losses in excess of NEIL's maximum policyholders surplus occur at its, or any other member's nuclear facility.

Consumers maintains nuclear liability insurance for injuries and off-site property damage resulting from the nuclear hazard at Palisades for up to approximately $9.5 billion, the maximum insurance liability limits established by the Price-Anderson Act. Congress enacted the Price-Anderson Act to provide financial protection for persons who may be liable for a nuclear accident or incident and persons who may be injured by a nuclear incident. The Price-Anderson Act was recently extended to December 31, 2003. Part of the Price-Anderson Act's financial protection consists of a mandatory industry-wide program under which owners of nuclear generating facilities could be assessed if a nuclear incident occurs at any of such facilities. The maximum assessment against Consumers could be $88 million per occurrence, limited to maximum annual installment payments of $10 million. Consumers also maintains insurance under a master worker program that covers tort claims for bodily injury to workers caused by nuclear hazards. The policy contains a $300 million nuclear industry aggregate limit. Under a previous insurance program providing coverage for claims brought by nuclear workers, Consumers remains responsible for a maximum assessment of up to $6.3 million. The Big Rock plant remains insured for nuclear liability by a combination of insurance and United States government indemnity totaling $544 million.

Insurance policy terms, limits and conditions are subject to change during the year as Consumers renews its policies.

GAS CONTINGENCIES

GAS ENVIRONMENTAL MATTERS: Under the Michigan Natural Resources and Environmental Protection Act, Consumers expects that it will ultimately incur investigation and remedial action costs at a number of sites. These include 23 former manufactured gas plant facilities, which were operated by Consumers for some part of their operating lives, including sites in which it has a partial or no current ownership interest. Consumers has completed initial investigations at the 23 sites. For sites where Consumers has received site-wide study plan approvals, it will continue to implement these plans. It will also work toward closure of environmental issues at sites as studies are completed. Consumers has estimated its costs related to investigation and remedial action for all 23 sites using the Gas Research Institute-Manufactured Gas Plant Probabilistic Cost Model. The estimated total costs are between $82 million and $113 million; these estimates are based on discounted 2001 costs and follow EPA recommended use of discount rates between three and seven percent for this type of activity. Consumers expects to fund a significant portion of these costs through insurance proceeds and through MPSC approved rates charged to its customers. As of March 31, 2003, Consumers has an accrued liability of $49 million, net of $33 million of expenditures incurred to date, and a regulatory asset of $69 million. Any significant change in assumptions, such as an increase in the number of sites, different remediation techniques, nature and extent of contamination, and legal and regulatory requirements, could affect Consumers' estimate of remedial action costs.

The MPSC, in its November 7, 2002, gas distribution rate order, authorized Consumers to continue to recover approximately $1 million of manufactured gas plant facilities environmental clean-up costs annually. Consumers defers and amortizes, over a period of 10 years, manufactured gas plant facilities environmental clean-up costs above the amount currently being recovered in rates. Additional rate recognition of amortization expense cannot begin until after a prudency review in a gas rate case. The annual amount that the MPSC authorized Consumers to recover in rates will continue to be offset by $2 million to reflect amounts recovered from all other sources.

GAS RATE MATTERS

GAS COST RECOVERY: As part of the on-going GCR process, which includes an annual reconciliation process with the MPSC, Consumers expects to collect all of its incurred gas costs. Under an order issued by the MPSC on March 12, 2003, Consumers increased its maximum GCR factor in May 2003, based on a formula that tracks increases in NYMEX prices.

2003 GAS RATE CASE: On March 14, 2003, Consumers filed an application with the MPSC seeking a $156 million increase in its gas delivery and transportation rates, which include a 13.5 percent authorized return on equity, based on a 2004 test year. If approved, the request would add about $6.40 per month, or about 9 percent, to the typical residential customer's average monthly bill. Contemporaneously with this filing, Consumers has requested interim rate relief in the same amount.

In September 2002, the FERC issued an order rejecting a filing by Consumers to assess certain rates for non-physical gas title tracking services offered by Consumers. Despite Consumers' arguments to the contrary, the FERC asserted jurisdiction over such activities and allowed Consumers to refile and justify a title transfer fee not based on volumes as Consumers proposed. Because the order was issued six years after Consumers made its original filing initiating the proceeding, over $3 million in non-title transfer tracking fees had been collected. No refunds have been ordered, and Consumers sought rehearing of the September order. If refunds were ordered they may include interest which would increase the refund liability to more than the $3 million collected. In December 2002, Consumers established a $3.6 million reserve related to this matter. Consumers is unable to say with certainty what the final outcome of this proceeding might be.

In November 2002, the MPSC upon its own motion commenced a contested proceeding requiring each utility to give reason as to why its rates should not be reduced to reflect new personal property multiplier tables, and why it should not refund any amounts that it receives as refunds from local governments as they implement the new multiplier tables. Consumers responded to the MPSC that it believes that refunds would be inconsistent with the November 7, 2002 gas rate order in case U-13000, with the Customer Choice Act, and may otherwise be unlawful. Consumers is unable to predict the outcome of this matter.

OTHER UNCERTAINTIES

SECURITY COSTS: Since the September 11, 2001 terrorist attacks in the United States, Consumers has increased security at all critical facilities and over its critical infrastructure, and will continue to evaluate security on an ongoing basis. Consumers may be required to comply with federal and state regulatory security measures promulgated in the future. Through December 31, 2002, Consumers has incurred approximately $4 million in incremental security costs, including operating, capital, and decommissioning and removal costs. Consumers estimates it may incur additional incremental security costs in 2003 of approximately $6 million. Consumers will attempt to seek recovery of these costs from its customers. In December 2002, the Michigan legislature passed, and the governor signed, a bill that would allow Consumers to seek recovery of additional nuclear electric division security costs incurred during the rate freeze and cap periods imposed by the Customer Choice Act. Of the $4 million in incremental security costs incurred through December 31, 2002, approximately $3 million related to nuclear security costs. Of the estimated $6 million for incremental security costs expected to be incurred in 2003, $4 million relates to nuclear security costs. On February 5, 2003, the MPSC adopted filing requirements for the recovery of enhanced security costs.

DERIVATIVE ACTIVITIES: Consumers uses a variety of contracts to protect against commodity price and interest rate risk. Some of these contracts may be subject to derivative accounting, which requires that the value of the contracts to be adjusted fair value through earnings or equity depending upon certain criteria. Such adjustments to fair value could cause earnings volatility. For further information about derivative activities, see Note 4, Financial and Derivative Instruments.

In addition to the matters disclosed in this note, Consumers and certain of its subsidiaries are parties to certain lawsuits and administrative proceedings before various courts and governmental agencies arising from the ordinary course of business. These lawsuits and proceedings may involve personal injury, property damage, contractual matters, environmental issues, federal and state taxes, rates, licensing and other matters.

Consumers has accrued estimated losses for certain contingencies discussed in this note. Resolution of these contingencies is not expected to have a material adverse impact on Consumers' financial position, liquidity, or results of operations.

3: FINANCINGS AND CAPITALIZATION

REGULATORY AUTHORIZATION FOR FINANCINGS: At March 31, 2003, Consumers had FERC authorization to issue or guarantee through June 2004, up to $1.1 billion of short-term securities outstanding at any one time. Consumers also had remaining FERC authorization to issue through June 2004 up to $500 million of long-term securities for refinancing or refunding purposes, $381 million for general corporate purposes, and $610 million of first mortgage bonds to be issued solely as collateral for the long-term securities. On April 30, 2003, Consumers sold $625 million principal amount of first mortgage bonds, described below. Its remaining FERC authorization after this issue is (1) $250 million of long-term securities for refinancing or refunding purposes, (2) $6 million for general corporate purposes, and (3) $610 million remaining first mortgage bonds available to be issued solely as collateral for the long-term securities. On October 10, 2002, FERC granted a waiver of its competitive bid/negotiated placement requirements applicable to the remaining long-term securities authorization indicated above.

SHORT-TERM FINANCINGS: In March 2003, Consumers obtained a replacement revolving credit facility in the amount of $250 million secured by first mortgage bonds. The cost of the facility is LIBOR plus 350 basis points. The new credit facility matures in March 2004 with two annual extensions at Consumers' option, which would extend the maturity to March 2006. The prior facility was due to expire in July 2003. At March 31, 2003, a total of $252 million was outstanding on all short-term financing at a weighted average interest rate of 6.22 percent, compared with $150 million outstanding at March 31, 2002 at a weighted average interest rate of 2.6 percent.

LONG-TERM FINANCINGS: In March 2003, Consumers entered into a $140 million term loan secured by first mortgage bonds with a private investor bank. This loan has a term of six years at a cost of LIBOR plus 475 basis points. Proceeds from this loan were used for general corporate purposes.

In March 2003, Consumers entered into a $150 million term loan secured by first mortgage bonds. This term loan has a three-year maturity expiring in March 2006; the loan has a cost of LIBOR plus 450 basis points. Proceeds from this loan were used for general corporate purposes.

FIRST MORTGAGE BONDS: In April 2003, Consumers sold $625 million principal amount of first mortgage bonds in a private offering to institutional investors; $250 million were issued at 4.25 percent, maturing on April 15, 2008, and net proceeds were approximately $248 million, $375 million were issued at 5.38 percent, maturing on April 15, 2013, and net proceeds were approximately $371 million. Consumers used the net proceeds to replace a $250 million senior reset put bond that matured in May 2003, to pay an associated $32 million option call payment, and for general corporate purposes that may include paying down additional debt. Consumers has agreed to file a registration statement with the SEC to permit holders of these first mortgage bonds to exchange the bonds for new bonds that will be registered under the Securities Act of 1933. Consumers has agreed to file this registration statement by December 31, 2003.

Consumers secures its first mortgage bonds by a mortgage and lien on substantially all of its property. Consumers' ability to issue and sell securities is restricted by certain provisions in its first mortgage bond Indenture, its articles of incorporation and the need for regulatory approvals to meet appropriate federal law.

MANDATORILY REDEEMABLE PREFERRED SECURITIES: Consumers has wholly owned statutory business trusts that are consolidated within its financial statements. Consumers created these trusts for the sole purpose of issuing Trust Preferred Securities. The primary asset of the trusts is a note or debenture of Consumers. The terms of the Trust Preferred Security parallel the terms of the related Consumers' note or debenture. The term, rights and obligations of the Trust Preferred Security and related note or debenture are also defined in the related indenture through which the note or debenture was issued, Consumers' guarantee of the related Trust Preferred Security and the declaration of trust for the particular trust. All of these documents together with their related note or debenture and Trust Preferred Security constitute a full and unconditional guarantee by Consumers of the trust's obligations under the Trust Preferred Security. In addition to the similar provisions previously discussed, specific terms of the securities follow.

In Millions

Trust and Securities	Rate	Amount Outstanding			Maturity	Earliest Redemption
March 31		2003	2002	2001		Year
Consumers Power Company Financing I, Trust Originated Preferred Securities	8.36%	$ 70	$ 70	$100	2015	2000
Consumers Energy Company Financing II, Trust Originated Preferred Securities	8.20%	120	120	120	2027	2002
Consumers Energy Company Financing III, Trust Originated Preferred Securities	9.25%	175	175	175	2029	2004
Consumers Energy Company Financing IV, Trust Preferred Securities	9.00%	125	125	-	2031	2006
Total		$490	$490	$395		

OTHER: At March 31, 2003, Consumers had, through its wholly owned subsidiary Consumers Receivables Funding, a $325 million trade receivable sale program in place as an anticipated source of funds for general corporate purposes. At March 31, 2003 and 2002, the receivables sold under the program were $325 million for each year; the average annual discount rate was 1.57 percent and 2.15 percent, respectively. Accounts receivable and accrued revenue in the Consolidated Balance Sheets have been reduced to reflect receivables sold. On April 30, 2003, Consumers ended its trade receivable sale program with its then existing purchaser and anticipates that a new trade receivable program will be in place with a new purchaser in May 2003.

Under the program discussed above, Consumers sold accounts receivable but retained servicing responsibility. Consumers is responsible for the collectability of the accounts receivable sold, however, the purchaser of sale of accounts receivable have no recourse to Consumers' other assets for failure of debtors to pay when due and there are no restrictions on accounts receivables not sold. No gain or loss has been recorded on the sale of accounts receivable and Consumers retains no interest in the receivables sold.

DIVIDEND RESTRICTIONS: Under the provisions of its articles of incorporation, Consumers had $423 million of unrestricted retained earnings available to pay common dividends at March 31, 2003. However, pursuant to restrictive covenants in its debt facilities, Consumers is limited to common stock dividend payments that will not exceed $300 million in any calendar year. In January 2003, Consumers declared and paid a $78 million common dividend. In March 2003, Consumers declared a $31 million common dividend payable in May 2003.

FASB INTERPRETATION NO. 45, GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENT FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS: Effective January 2003, this interpretation elaborates on the disclosure to be made by a guarantor about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provision of this interpretation does not apply to certain guarantee contracts, such as warranties, derivatives, or guarantees between either parent and subsidiaries or corporations under common control, although

disclosure of such guarantees is required. For contracts that are within the initial recognition and measurement provision of this interpretation, the provisions are to be applied to guarantees issued or modified after December 31, 2002; no cumulative effect adjustments are required.

Following is a general description of Consumers' guarantees as required by this Interpretation:

March 31, 2003 — In Millions

Guarantee Description	Issue Date	Expiration Date	Maximum Obligation	Carrying Amount	Recourse Provision(a)
Standby letters of credit	Various	Various	$ 7	$ -	$ -
Surety bonds	Various	Various	8	-	-
Nuclear insurance retrospective premiums	Various	Various	120	-	-

(a) Recourse provision indicates the approximate recovery from third parties including assets held as collateral.

Following is additional information regarding Consumers' guarantees:

March 31, 2003

Guarantee Description	How Guarantee Arose	Events That Would Require Performance
Standby letters of credit	Normal operations of coal power plants	Non-compliance with environmental regulations
	Self insurance requirement	Non-performance
Surety bonds	Normal operating activity, permits and license	Non-performance
Nuclear insurance retrospective premiums	Normal operations of nuclear plants	Call by NEIL and Price-Anderson Act for nuclear incident

4: FINANCIAL AND DERIVATIVE INSTRUMENTS

FINANCIAL INSTRUMENTS: The carrying amounts of cash, short-term investments and current liabilities approximate their fair values due to their short-term nature. Consumers estimates the fair values of long-term investments based on quoted market prices or, in the absence of specific market prices, on quoted market prices of similar investments or other valuation techniques. The carrying amounts of all long-term investments, except as shown below, approximate fair value.

In Millions

March 31		2003			2002	
Available-for-sale securities	Cost	Fair Value	Unrealized Gain	Cost	Fair Value	Unrealized Gain
Common stock of CMS Energy (a)	$ 10	$ 10	$ -	$ 35	$ 54	$ 19
SERP	18	18	-	21	22	1
Nuclear decommissioning investments (b)	458	529	71	465	576	111

(a) Consumers recognized a $12 million loss on this investment in 2002 and an additional $12 million loss in the first quarter of 2003 because the loss was other than temporary, as the fair value was below the cost basis for a period greater than six months. As of March 31, 2003, Consumers held 2.4 million shares of CMS Energy Common Stock with a fair value of $10 million.

(b) On January 1, 2003, Consumers adopted SFAS No. 143 and began classifying its unrealized gains and losses on nuclear decommissioning investments as regulatory liabilities. Consumers previously classified these investments in accumulated depreciation.

At March 31, 2003, the carrying amount of long-term debt was $2.7 billion and at March 31, 2002, $2.4 billion, and the fair values were $2.7 billion and $2.4 billion, respectively. For held-to-maturity securities and related-party financial instruments, see Note 1.

RISK MANAGEMENT ACTIVITIES AND DERIVATIVE TRANSACTIONS: Consumers is exposed to market risks including, but not limited to, changes in interest rates, commodity prices, and equity security prices. Consumers' market risk, and activities designed to minimize this risk, are subject to the direction of an executive oversight committee consisting of designated members of senior management and a risk committee, consisting of certain business unit managers. The role of the risk committee is to review the corporate commodity position and ensure that net corporate exposures are within the economic risk tolerance levels established by Consumers' Board of Directors. Established policies and procedures are used to manage the risks associated with market fluctuations.

Consumers uses various contracts, including swaps, options, and forward contracts to manage its risks associated with the variability in expected future cash flows attributable to fluctuations in interest rates and commodity prices. When management uses these instruments, it intends that an opposite movement in the value of the at-risk item would offset any losses incurred on the contracts. Consumers enters into all risk management contracts for purposes other than trading.

These instruments contain credit risk if the counterparties, including financial institutions and energy marketers, fail to perform under the agreements. Consumers minimizes such risk by performing financial credit reviews using, among other things, publicly available credit ratings of such counterparties.

Contracts used to manage interest rate and commodity price risk may be considered derivative instruments that are subject to derivative and hedge accounting pursuant to SFAS No. 133. SFAS No. 133 requires Consumers to recognize at fair value all contracts that meet the definition of a derivative instrument on the balance sheet as either assets or liabilities. The standard also requires Consumers to record all changes in fair value directly in earnings, or other comprehensive income if the derivative meets certain qualifying cash flow hedge criteria. In order for derivative instruments to qualify for hedge accounting under SFAS No. 133, the hedging relationship must be formally documented at inception and be highly effective in achieving offsetting cash flows or offsetting changes in fair value attributable to the risk being hedged. If hedging a forecasted transaction, the forecasted transaction must be probable. If a derivative instrument, used as a cash flow hedge, is terminated early because it is probable that a forecasted transaction will not occur, any gain or loss

as of such date is immediately recognized in earnings. If a derivative instrument, used as a cash flow hedge, is terminated early for other economic reasons, any gain or loss as of the termination date is deferred and recorded when the forecasted transaction affects earnings.

Consumers determines fair value based upon quoted market prices and mathematical models using current and historical pricing data. Option models require various inputs, including forward prices, volatilities, interest rates and exercise periods. Changes in forward prices or volatilities could significantly change the calculated fair value of the call option contracts. At March 31, 2003, Consumers assumed a market-based interest rate of 4.5 percent and a volatility rate of 107.5 percent in calculating the fair value of its electric call options. The ineffective portion, if any, of all hedges is recognized in earnings.

The majority of Consumers' contracts are not subject to derivative accounting because they qualify for the normal purchases and sales exception of SFAS No. 133. Derivative accounting is required, however, for certain contracts used to limit Consumers' exposure to electricity and gas commodity price risk and interest rate risk.

The following table reflects the fair value of contracts requiring derivative accounting:

				In Millions
March 31		2003		2002
Derivative Instruments	Cost	Fair Value	Cost	Fair Value
Electric contracts	$8	$ 1	$21	$ 5
Gas contracts	-	-	-	4
Interest rate risk contracts	-	(1)	-	(2)
Derivative contracts associated with Consumers' equity investment in the MCV Partnership	-	17	-	(1)

The fair value of all derivative contracts, except the fair value of derivative contracts associated with Consumers' equity investment in the MCV Partnership, is included in either Other Assets or Other Liabilities on the Balance Sheet. The fair value of derivative contracts associated with Consumers' equity investment in the MCV Partnership is included in Investments - Midland Cogeneration Venture Limited Partnership on the Balance Sheet.

ELECTRIC CONTRACTS: Consumers' electric business uses purchased electric call option contracts to meet, in part, its regulatory obligation to serve. This obligation requires Consumers to provide a physical supply of electricity to customers, to manage electric costs and to ensure a reliable source of capacity during peak demand periods. As of March 31, 2003, Consumers recorded on the balance sheet all of its unexpired purchased electric call option contracts subject to derivative accounting at a fair value of $1 million. These contracts will expire in the third quarter of 2003.

Consumers believes that certain of its electric capacity and energy contracts are not derivatives due to the lack of an active energy market in the state of Michigan, as defined by SFAS No. 133, and the transportation cost to deliver the power under the contracts to the closest active energy market at the Cinergy hub in Ohio. If a market develops in the future, Consumers may be required to account for these contracts as derivatives. The mark-to-market impact in earnings related to these contracts, particularly related to the PPA could be material to the financial statements.

During 2002, Consumers' electric business also used gas swap contracts to protect against price risk due to the fluctuations in the market price of gas used as fuel for generation of electricity. These gas swaps were financial contracts that were used to offset increases in the price of probable forecasted gas purchases. These contracts did not qualify for hedge accounting. Therefore, Consumers recorded any change in the fair value of these contracts directly in earnings as part of power supply costs. As of March 31, 2002, these contracts had a fair value of $1 million. These contracts expired in December 2002.

As of March 31, 2003, Consumers recorded a total of $11 million, net of tax, as an unrealized gain in other comprehensive income related to its proportionate share of the effects of derivative accounting related to its equity investment in the MCV Partnership. Consumers expects to reclassify this gain, if this value remains, as an increase to other operating revenue during the next 12 months.

GAS CONTRACTS: Consumers' gas business uses fixed price gas supply contracts, and fixed price weather-based gas supply call options and fixed price gas supply put options, and other types of contracts, to meet its regulatory obligation to provide gas to its customers at a reasonable and prudent cost. During 2002, some of the fixed price gas supply contracts and the weather-based gas call options and gas put options required derivative accounting. The fixed price gas supply contracts expired in October 2002, and the weather-based gas call options and gas put options expired in February 2003. As of March 31, 2003, Consumers did not have any gas supply related contracts that required derivative accounting.

INTEREST RATE RISK CONTRACTS: Consumers uses interest rate swaps to hedge the risk associated with forecasted interest payments on variable-rate debt. These interest rate swaps are designated as cash flow hedges. As such, Consumers will record any change in the fair value of these contracts in other comprehensive income unless the swaps are sold. As of March 31, 2003 and March 31, 2002, Consumers had entered into a swap to fix the interest rate on $75 million of variable-rate debt. This swap will expire in June 2003. As of March 31, 2003, this interest rate swap had a negative fair value of $1 million. This amount, if sustained, will be reclassified to earnings, increasing interest expense when the swap is settled on a monthly basis. As of March 31, 2002, this interest rate swap had a negative fair value of $2 million.

Consumers also uses interest rate swaps to hedge the risk associated with the fair value of its debt. These interest rate swaps are designated as fair value hedges. In March 2002, Consumers entered into a fair value hedge to hedge the risk associated with the fair value of $300 million of fixed-rate debt, issued in March 2002. As of March 31, 2002, the swap had a negative fair value of less than $1 million. In June 2002, this swap was terminated and resulted in a $7 million gain that is deferred and recorded as part of the debt. It is anticipated that this gain will be recognized over the remaining life of the debt.

Consumers was able to apply the shortcut method to all interest rate hedges, therefore there was no ineffectiveness associated with these hedges.

5: IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

SFAS NO. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS: Beginning January 1, 2003, companies must comply with SFAS No. 143. The standard requires companies to record the fair value of the legal obligations related to an asset retirement in the period in which it is incurred. Consumers has determined that it has legal asset retirement obligations, particularly in regard to its nuclear plants.

Prior to adoption of SFAS No. 143, Consumers classified the removal cost liability of assets included in the scope of SFAS No. 143 as part of the reserve for accumulated depreciation. For these assets, the removal cost of $448 million which was classified as part of the reserve at December 31, 2002, was reclassified in January 2003, in part, as 1) a $364 million ARO liability, 2) a $136 million regulatory liability, 3) a $45 million regulatory asset, and 4) a $7 million net increase to property, plant, and equipment, as prescribed by SFAS

No. 143. As required by SFAS No. 71 for regulated entities, Consumers is reflecting a regulatory asset and liability instead of a cumulative effect of a change in accounting principle.

The fair value of ARO liabilities has been calculated using an expected present value technique. This technique reflects assumptions, such as costs, inflation, and profit margin that third parties would consider in order to take on the settlement of the obligation. Fair value, to the extent possible, should include a market risk premium for unforeseeable circumstances. No market risk premium was included in Consumers' ARO fair value estimate since a reasonable estimate could not be made. If a five percent market risk premium was assumed, Consumers' ARO liability would be $381 million.

If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, such as assets with an indeterminate life, the liability is to be recognized when a reasonable estimate of fair value can be made. Generally, transmission and distribution assets have an indeterminate life, retirement cash flows cannot be determined and there is a low probability of a retirement date, therefore no liability has been recorded for these assets. No liability has been recorded for assets that have an immaterial cumulative disposal cost, such as substation batteries. The initial measurement of the ARO liability for Consumers' Palisades Nuclear Plant and Big Rock Nuclear Plant is based on decommissioning studies, which are based largely on third party cost estimates.

The following table is a general description of the AROs and their associated long-lived assets.

March 31, 2003 In Millions

ARO Description	In Service Date	Long Lived Assets	Trust Fund
Palisades - decommission plant site	1972	Palisades nuclear plant	$ 426
Big Rock - decommission plant site	1962	Big Rock nuclear plant	103
JHCampbell intake/discharge water line	1980	Plant intake/discharge water line	-
Closure of coal ash disposal areas	Various	Generating plants coal ash areas	-
Closure of wells at gas storage fields	Various	Gas storage fields	-
Indoor gas services equipment relocations	Various	Gas meters located inside structures	-

The following table is a reconciliation of the carrying amount of the AROs.

March 31, 2003 In Millions

ARO	Pro Forma ARO liability 1/1/02	ARO Liability 1/1/03	Incurred	Settled	Accretion	Cash flow Revisions	ARO liability 3/31/03
Palisades - decommission	$232	$249	$ -	$ -	$4	$ -	$253
Big Rock - decommission	94	61	-	(7)	3	-	57
JHCampbell intake line	-	-	-	-	-	-	-
Coal ash disposal areas	46	51	-	-	1	-	52
Wells at gas storage fields	2	2	-	-	-	-	2
Indoor gas services relocations	1	1	-	-	-	-	1
Total	$375	$364	$ -	$(7)	$8	$ -	$365

SFAS NO. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES: Issued by the FASB in July 2002, this standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. This standard is effective for exit or disposal activities initiated after December 31, 2002. Upon adoption of the standard, there was no impact on Consumers' consolidated financial statements.

FASB INTERPRETATION NO. 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES: Issued by the FASB in January 2003, the interpretation expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. The consolidation requirements of the interpretation apply immediately to variable interest entities created after January 31, 2003. For Consumers, the consolidation requirements apply to pre-existing entities beginning July 1, 2003. Certain of the disclosure requirements apply to all financial statements initially issued after January 31, 2003. Consumers will be required to consolidate any entities that meet the requirements of the interpretation. Upon adoption of the standard on January 31, 2003, there was no impact on Consumers' consolidated financial statements, and Consumers does not anticipate any additional impact to its consolidated financial statements upon adoption of additional standard requirements on July 1, 2003.

SALE OF PANHANDLE

In December 2002, CMS Energy reached a definitive agreement to sell the Panhandle companies to Southern Union Panhandle Corp. The agreement called for Southern Union Panhandle Corp, a newly formed entity owned by Southern Union Company and AIG Highstar Capital L.P. to pay $662 million in cash and assume $1.166 billion in debt. On March 13, 2003, CMS Energy and Southern Union Company received requests for additional information ("second requests") from the FTC related to Southern Union's acquisition of Panhandle. CMS Energy and Southern Union are in the process of responding to the second requests.

On May 12, 2003, the parties entered into an amendment to the original stock purchase agreement that was executed in December 2002. Under the amendment, AIG Highstar Capital, L.P. and AIG Highstar II Funding Corp. will no longer be parties to the transaction. The Amended and Restated Stock Purchase Agreement calls for Southern Union Panhandle Corp. to purchase all of Panhandle's outstanding capital stock. Southern Union Panhandle Corp. agreed to pay approximately $584 million in cash and 3 million shares of Southern Union Company common stock, and to assume approximately $1.166 billion in debt. The total value of the transaction to CMS Energy will depend on the price of Southern Union Company common stock at the closing. At May 12, 2003, the closing price of Southern Union common stock on the New York Stock Exchange was $12.79. The boards of directors of all applicable companies have approved the amended agreement. The sale of Panhandle is subject to customary closing conditions and action by the Federal Trade Commission under the Hart-Scott-Rodino Act. All necessary state regulatory approvals for the sale pursuant to the original stock purchase agreement have been received. The parties expect the amendment will expedite the regulatory approval of the transaction and anticipate that state regulatory authorities will not object to the changed terms provided for in the amended agreement. The closing is expected to occur by June 30, 2003. AIG Highstar Capital's withdrawal from the transaction should help resolve regulatory issues that arose as a result of AIG Highstar Capital's ownership of Southern Star Central Gas Pipeline's Inc. CMS Gas Transmission and Southern Union also entered into a shareholder agreement, relating to CMS Gas Transmission's ownership of the Southern Union shares of common stock. Pursuant to this shareholder agreement, CMS Gas Transmission generally will be prohibited from disposing of the Southern Union common stock for a period ending 90 - 105 days following the closing of the transaction.

Under the terms of the Panhandle sale agreement, CMS Energy was to retain Panhandle's ownership interests in the Centennial and Guardian pipeline projects, as well as certain of Panhandle's net deferred tax assets, all tax liabilities, and pension and other postretirement assets and liabilities. Panhandle has since sold its interest in Centennial and the Guardian interest and the related cash collateral has been transferred to Panhandle's direct parent, CMS Gas Transmission. For further information, see Note 5, Related Party Transactions. CMS Gas Transmission has signed a definitive agreement to sell its interest in Guardian which is also expected to close in the second quarter of 2003.

FORWARD-LOOKING STATEMENTS

Panhandle, an indirect subsidiary of CMS Energy, is primarily engaged in the interstate transportation and storage of natural gas and conducts operations primarily in the central, gulf coast, midwest, and southwest regions of the United States. Panhandle also owns a LNG importation terminal (See Note 1, Corporate Structure). The rates and conditions of service of the interstate natural gas transmission and storage operations of Panhandle, as well as the LNG operations, are subject to the rules and regulations of the FERC.

This MD&A refers to, and in some sections specifically incorporates by reference, Panhandle's Condensed Notes to Consolidated Financial Statements and should be read in conjunction with such Consolidated Financial Statements and Condensed Notes. This Form 10-Q and other written and oral statements that Panhandle may make contain forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995. Panhandle's intentions with the use of the words "anticipates," "believes," "estimates," "expects," "intends," and "plans" and variations of such words and similar expressions, are solely to identify forward-looking statements that involve risk and uncertainty. These forward-looking statements are subject to various factors that could cause Panhandle's actual results to differ materially from those anticipated in such statements. Panhandle has no obligation to update or revise forward-looking statements regardless of whether new information, future events or any other factors affect the information contained in such statements. Panhandle does, however, discuss certain risk factors, uncertainties and assumptions in this MD&A and in Item 1 of the 2002 Form 10-K in the section entitled "Forward-Looking Statements, Cautionary Factors and Uncertainties" and in various public filings it periodically makes with the SEC. Panhandle designed this discussion of potential risks and uncertainties, which is by no means comprehensive, to highlight important factors that may impact Panhandle's business and financial outlook. This Form 10-Q also describes material contingencies in Panhandle's Condensed Notes to Consolidated Financial Statements and Panhandle encourages its readers

to review these Notes. All note references within this MD&A refer to Panhandle's Condensed Notes to Consolidated Financial Statements.

The following information is provided to facilitate increased understanding of the Consolidated Financial Statements and accompanying Condensed Notes of Panhandle and should be read in conjunction with these financial statements. Because all of the outstanding common stock of Panhandle Eastern Pipe Line is owned by a wholly-owned subsidiary of CMS Energy, the following discussion uses the reduced disclosure format permitted for issuers that are wholly-owned direct or indirect subsidiaries of reporting companies.

CRITICAL ACCOUNTING POLICIES

USE OF ESTIMATES: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principles of SFAS No. 5 guide the recording of contingent liabilities within the financial statements. Certain accounting principles require subjective and complex judgments used in the preparation of financial statements. Accordingly, a different financial presentation could result depending on the judgment, estimates or assumptions that are used. Such estimates and assumptions, include, but are not specifically limited to: depreciation and amortization, interest rates, discount rates, future commodity prices, mark-to-market valuations, investment returns, volatility in the price of CMS Energy Common Stock, impact of new accounting standards, future costs associated with long-term contractual obligations, future compliance costs associated with environmental regulations and continuing creditworthiness of counterparties. Although these estimates are based on management's knowledge of current expected future events, actual results could materially differ from those estimates.

SYSTEM GAS AND OPERATING SUPPLIES: System gas and operating supplies consists of gas held for operations and materials and supplies, carried at the lower of weighted average cost or market. The gas held for operations that is not expected to be consumed in operations in the next twelve months has been reflected in non-current assets. All system gas and materials and supplies purchased are recorded at the lower of cost or market, while net gas received from and owed back to customers is valued at market.

GAS IMBALANCES: Gas imbalances occur as a result of differences in volumes of gas received and delivered. Gas imbalance in-kind receivables and payables are valued at cost or market, based on whether net imbalances have reduced or increased system gas balances, respectively.

FUEL TRACKER: Liability accounts are maintained for net volumes of fuel gas owed to customers collectively. Trunkline records an asset whenever fuel is due from customers from prior under recovery based on contractual and specific tariff provisions which support the treatment as an asset. Panhandle's other companies that are subject to fuel tracker provisions record an expense when fuel is under recovered. The pipelines' fuel reimbursement is in-kind and non-discountable.

RELATED PARTY TRANSACTIONS: Panhandle enters into a number of significant transactions with related parties. These transactions include revenues for the transportation of natural gas for Consumers, CMS MST and the MCV Partnership which are based on regulated prices, market prices or competitive bidding. Related party expenses include payments for services provided by affiliates, as well as allocated benefit plan costs. Other income is primarily interest income from the Note receivable - CMS Capital (See Note 5, Related Party Transactions).

GOODWILL: Goodwill represents the excess of costs over fair value of assets of businesses acquired. The Company adopted the provisions of SFAS No. 142 as of January 1, 2002. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. Panhandle completed the goodwill impairment testing required upon adoption of SFAS No. 142 in 2002 which resulted in a $601 million pre-tax write-down ($369 million after-tax) under the new standard. The impact was reflected retroactively to the first quarter of 2002 as a cumulative effect of a change in accounting for goodwill, pursuant to the requirements of SFAS No. 142.

ACCOUNTING FOR RETIREMENT BENEFITS: Panhandle follows SFAS No. 87 to account for pension costs and SFAS No. 106 to account for other postretirement benefit costs. These statements require liabilities to be recorded on the balance sheet at the present value of these future obligations to employees net of any plan assets. The calculation of these liabilities and associated expenses require the expertise of actuaries and are subject to many assumptions, including life expectancies, present value discount rates, expected long-term rate of return on plan assets, rate of compensation increase and anticipated health care costs. Any change in these assumptions can significantly change the liability and associated expenses recognized in any given year.

The Pension Plan is a CMS Energy plan for CMS Energy and affiliates, of which Panhandle is a participating affiliate. The Pension Plan includes amounts for employees of CMS Energy and affiliates, including Panhandle, which were not distinguishable from the Pension Plan's total assets. On December 21, 2002, a definitive agreement was executed to sell Panhandle. The sale is expected to close in 2003. The Pension Plan assets and obligations associated with Panhandle employees will be retained by CMS Energy. Upon the closing of the sale of Panhandle to Southern Union Panhandle Corp., none of the Panhandle employees will be eligible to accrue additional benefits under the Pension Plan. However, the Pension Plan will retain pension payment obligations for Panhandle employees who are vested under the Pension Plan.

CMS Energy estimates CMS Energy's pension expense will approximate $46 million, $51 million and $58 million in 2003, 2004 and 2005, respectively, as compared to an approximated $33 million in 2002 of which Panhandle's allocated share is approximately 11 percent. Future actual pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the populations participating in the Pension Plan.

In order to keep health care benefits and costs competitive, CMS Energy has announced several changes to the Health Care Plan. These changes are effective January 1, 2003. The most significant change is that CMS Energy's future increases in health care costs will be shared with salaried employees. The salaried retirees Health Care Plan also has been amended. Pre-Medicare retirees now elect coverage from four different levels of coverage, with the two best coverage options reacquiring premium contributions. These plans also coordinate benefits under a maintenance of benefits provision to reduce claims costs. Mail-order prescription copays also have been increased for all salaried employees.

ACCOUNTING FOR DERIVATIVES: Panhandle utilizes interest-rate related derivative instruments to manage its exposure on its debt instruments and does not enter into derivative instruments for any purpose other than hedging purposes. That is, Panhandle does not speculate using derivative instruments.

Interest rate swap agreements are used to reduce interest rate risks and to manage interest expense. By entering into these agreements, Panhandle generally converts floating-rate debt into fixed-rate debt. This reduces Panhandle's risk of incurring higher interest costs in periods of rising interest rates. Interest differentials to be paid or received because of swap agreements are reflected as an adjustment to interest

expense. The negative fair value of interest rate swap agreements was $24 million pre-tax, $14 million net of tax at March 31, 2003 which is reflected in comprehensive loss. Current market pricing models were used to estimate fair values of interest rate swap agreements. The negative fair value of interest rate swap agreements was $22 million pre-tax, $13 million net of tax at December 31, 2002. Current market pricing models were used to estimate fair values of interest rate swap agreements.

RESULTS OF OPERATIONS

NET INCOME (LOSS):

	IN MILLIONS		
THREE MONTHS ENDED MARCH 31	2003	2002	CHANGE
Net Income (Loss)	$31	$(340)	$371

REASONS FOR THE CHANGE	IN MILLIONS 2003 VS. 2002
Reservation revenue	$ (1)
LNG terminalling revenue	1
Commodity revenue	3
Equity earnings and other revenue	1
Operation, maintenance, administrative and general	(4)
Depreciation and amortization	(1)
Other income, net	1
Interest charges	(2)
Minority interest	1
Income taxes	1
Cumulative effect of change in accounting principle, net of tax	371
Total Change	$ 371

For the quarter ended March 31, 2003, Panhandle had net income of $31 million, an increase of $371 million from the corresponding period in 2002 due primarily to a goodwill impairment charge of $601 million ($369 million after-tax) in the first quarter of 2002 which was recorded in conjunction with the adoption of SFAS No. 142. SFAS No. 142 requires that goodwill no longer be amortized over an estimated useful life, but rather goodwill amounts are subject to a fair-value based impairment assessment.

RESERVATION REVENUE: For the three months ended March 31, 2003, reservation revenue decreased $1 million compared to the same time period during 2002, due to slightly lower average reservation rates on Panhandle.

LNG TERMINALLING REVENUE: For the three months ended March 31, 2003, LNG terminalling revenue increased $1 million compared to the same time period during 2002 due to higher LNG volumes

on the BG LNG Services contract. Trunkline LNG's 22-year agreement with BG LNG Services for the existing uncommitted long-term capacity at the company's facility became effective in January 2002 (see Note 3, Regulatory Matters).

COMMODITY REVENUE: For the three months ended March 31, 2003, commodity revenue increased $3 million compared to the same time period during 2002, primarily due to an increase in commodity volumes. Volumes increased 16 percent in the three months of 2003 versus 2002 due to a colder winter in the Midwest market area during the first quarter of 2003 compared to the same time period during 2002.

EQUITY EARNINGS AND OTHER REVENUE: Equity earnings and other revenue for the three months ended March 31, 2003 increased $1 million compared to the same time period during 2002. The increase was primarily due to the sale of Panhandle's one-third equity interest in Centennial in February 2003 for $40 million to Centennial's two other partners, MAPL and TEPPCO, which resulted in no income for the Centennial equity investment during the first quarter of 2003, while start-up related losses of $1 million occurred during the first quarter of 2002. In addition, imbalance cash-out gains in the first quarter of 2003, recouping prior losses, were comparable to a non-recurring gain of $4 million for the settlement of Order 637 matters related to capacity release and imbalance penalties during the first quarter of 2002 (see Note 3, Regulatory Matters).

OPERATION, MAINTENANCE, GENERAL AND ADMINISTRATIVE: Operation, maintenance, general and administrative expenses increased by $4 million for the three months ended March 31, 2003, compared to the same time period during 2002. Expense increases in the first three months of 2003 were primarily due to Panhandle's fuel costs in excess of recoveries from customers of $6.4 million and a non-recurring adjustment recorded in the first quarter of 2002 of $3 million for lower final incentive plan payouts approved in 2002 for 2001 awards, partially offset by decreased CMS corporate charges during the first quarter of 2003.

DEPRECIATION AND AMORTIZATION: Depreciation and amortization increased by $1 million for the three months ended March 31, 2003, compared to the same time period during 2002. Expense increases in the first three months of 2003 were primarily due to increases in the property, plant and equipment asset balances.

OTHER INCOME, NET: Other income, net for the three months ended March 31, 2003 increased $1 million compared to 2002, primarily due to increased interest income related to a higher Note Receivable - CMS Capital balance and a higher interest rate related to the note receivable balance during the first quarter of 2003 compared to the first quarter of 2002.

INTEREST CHARGES: Interest Charges for the three months ended March 31, 2003, compared to the same time period during 2002, increased by $2 million primarily due to Panhandle securing short-term bank loans in the amounts of $30 million and $10 million during December 2002 and January 2003, respectively, higher charges for the LNG Holding's interest rate swaps of $150 million and a non-recurring gain of $2 million in the first quarter of 2002 for reversal of interest expense related to the Order 637 settlement. The increases were partially offset by elimination of interest on $129 million of reductions of long-term debt principal in April 2002 and May 2002. On March 31, 2003, Panhandle retired approximately $7 million of the $40 million short-term bank loans. For further discussion of Panhandle's long-term debt and guarantees, see Note 7, Commitments and Contingencies - Other Commitments and Contingencies.

MINORITY INTEREST: Minority interest decreased $1 million for the three months ended March 31, 2003 compared to the same time period during 2002 due to Panhandle purchasing Dekatherm Investor

Trust's interest in LNG Holdings during November 2002 for approximately $41 million. As a result, Panhandle owns 100 percent of LNG Holdings.

INCOME TAXES: Income taxes during the three months ended March 31, 2003, compared to the same time period during 2002, decreased $1 million due to corresponding changes in pretax income.

OUTLOOK

Panhandle is a leading United States interstate natural gas pipeline system and also owns the nation's largest operating LNG regasification terminal and intends to optimize results through expansion and better utilization of its existing facilities and construction of new facilities. This involves providing additional transportation, storage and other asset-based value-added services to customers such as gas-fueled power plants, local distribution companies, industrial and end-users, marketers and others. Panhandle conducts operations primarily in the central, gulf coast, midwest, and southwest regions of the United States.

In December 2002, CMS Energy reached a definitive agreement to sell the Panhandle companies to Southern Union Panhandle Corp. The agreement called for Southern Union Panhandle Corp, a newly formed entity owned by Southern Union Company and AIG Highstar Capital L.P. to pay $662 million in cash and assume $1.166 billion in debt. On March 13, 2003, CMS Energy and Southern Union Company received requests for additional information ("second requests") from the FTC related to Southern Union's acquisition of Panhandle. CMS Energy and Southern Union are in the process of responding to the second requests.

On May 12, 2003, the parties entered into an amendment to the original stock purchase agreement that was executed in December 2002. Under the amendment, AIG Highstar Capital, L.P. and AIG Highstar II Funding Corp. will no longer be parties to the transaction. The Amended and Restated Stock Purchase Agreement calls for Southern Union Panhandle Corp. to purchase all of Panhandle's outstanding capital stock. Southern Union Panhandle Corp. agreed to pay approximately $584 million in cash and 3 million shares of Southern Union Company common stock, and to assume approximately $1.166 billion in debt. The total value of the transaction to CMS Energy will depend on the price of Southern Union Company common stock at the closing. At May 12, 2003, the closing price of Southern Union common stock on the New York Stock Exchange was $12.79. The boards of directors of all applicable companies have approved the amended agreement. The sale of Panhandle is subject to customary closing conditions and action by the Federal Trade Commission under the Hart-Scott-Rodino Act. All necessary state regulatory approvals for the sale pursuant to the original stock purchase agreement have been received. The parties expect the amendment will expedite the regulatory approval of the transaction and anticipate that state regulatory authorities will not object to the changed terms provided for in the amended agreement. The closing is expected to occur by June 30, 2003. AIG Highstar Capital's withdrawal from the transaction should help resolve regulatory issues that arose as a result of AIG Highstar Capital's ownership of Southern Star Central Gas Pipeline's Inc. CMS Gas Transmission and Southern Union also entered into a shareholder agreement, relating to CMS Gas Transmission's ownership of the Southern Union shares of common stock. Pursuant to this shareholder agreement, CMS Gas Transmission generally will be prohibited from disposing of the Southern Union common stock for a period ending 90 - 105 days following the closing of the transaction.

Under the terms of the Panhandle sale agreement, CMS Energy was to retain Panhandle's ownership interests in the Centennial and Guardian pipeline projects, as well as certain of Panhandle's net deferred tax assets, all tax liabilities, and pension and other postretirement assets and liabilities.

On February 10, 2003, Panhandle sold its one-third equity interest in Centennial to Centennial's two other partners, MAPL and TEPPCO for $40 million with no income impact resulting from the sale in 2003 (see Note 5, Related Party Transactions).

On March 10, 2003, Panhandle's ownership interest in Guardian was transferred to CMS Gas Transmission (see Note 5, Related Party Transactions). CMS Gas Transmission has signed a definitive agreement to sell its interest in Guardian which is also expected to close in the second quarter of 2003.

In October 2001, Trunkline LNG announced the planned expansion of the Lake Charles facility to approximately 1.2 bcf per day of send out capacity, up from its current send out capacity of 630 million cubic feet per day. In December 2002, FERC approved the expansion of the LNG regasification terminal. In March 2003, Trunkline LNG received FERC authorization to commence construction. On April 17, 2003, Trunkline LNG filed to amend the authority granted for its LNG expansion with certain facility modifications. The modifications will not affect the authorized additional storage capacity and daily sendout capability and confirms the revised in-service date of January 1, 2006. The expansion expenditures are currently expected to be funded by Panhandle contributions to LNG Holdings, sourced

by operating cash flows, capital markets or other funding. For further discussion of Trunkline LNG, see Note 3, Regulatory Matters.

UNCERTAINTIES: Panhandle's results of operations and financial position may be affected by a number of trends or uncertainties that have, or Panhandle reasonably expects could have, a material impact on income from continuing operations and cash flows. Such trends and uncertainties include: 1) the increased competition in the market for transmission of natural gas to the midwest causing pressure on prices charged by Panhandle; 2) the current market conditions causing more contracts to be of shorter duration, which may increase revenue volatility; 3) the increased potential for declining financial condition of certain customers within the industry due to recession and other factors; 4) exposure to customer concentration with a significant portion of revenues realized from a relatively small number of customers; 5) the possibility of decreased demand for natural gas resulting from a downturn in the economy and the scaling back of new power plants; 6) the impact of any future rate cases, for any of Panhandle's regulated operations; 7) the impact of current initiatives for additional federal rules and legislation regarding pipeline safety; 8) capital spending requirements for safety, environmental or regulatory requirements that could result in depreciation expense increases not covered by additional revenues; 9) the impact of CMS Energy and its subsidiaries' distressed financial condition and ratings downgrades on Panhandle's liquidity and costs of operating, including Panhandle's reduced ability to draw on the CMS Capital loan and current limited access to capital markets; 10) impact of the trend of increasing costs for employee benefits including medical and retirement related costs; 11) the effects of changing regulatory and accounting related matters resulting from current events; and 12) the impact of the proposed acquisition by Southern Union Panhandle Corp. For further information about uncertainties, see Note 7, Commitments and Contingencies.

LIQUIDITY

CMS ENERGY FINANCIAL CONDITION

In July of 2002, the credit ratings of the publicly traded securities of CMS Energy and Panhandle were downgraded by the major rating agencies. The ratings downgrade for both companies' securities was largely a function of the uncertainties associated with CMS Energy's financial condition and liquidity, restatement and re-audit of 2000 and 2001 financial statements, and lawsuits that directly affects and limits CMS Energy's access to the capital markets.

As a result of certain of these downgrades, contractual rights were triggered in several contractual arrangements between Panhandle and third parties, as described in the Panhandle Financial Condition section below.

In response to the July debt downgrades, CMS Energy and its subsidiaries Consumers and Enterprises have replaced or restructured several of their existing unsecured credit facilities with secured credits. The new facilities have conditions requiring mandatory prepayment of borrowings from asset sales, debt issuances and/or equity issuances, impose certain dividend restrictions and grant the applicable bank groups either first or second liens on the capital stock of Enterprises and its major direct and indirect domestic subsidiaries, including Panhandle Eastern Pipe Line (but excluding subsidiaries of Panhandle Eastern Pipe Line).

CMS Energy's liquidity and capital requirements are generally a function of its results of operations, capital expenditures, contractual obligations, working capital needs and collateral requirements. CMS Energy has historically met its consolidated cash needs through its operating and investing activities and, as needed, through access to bank financing and the capital markets.

In 2003, CMS Energy has contractual obligations and planned capital expenditures that would require substantial amounts of cash. CMS Energy at the parent level had approximately $598 million and Panhandle had approximately $52 million of publicly issued and credit facility debt maturing in 2003.

CMS Energy has taken significant steps to address its 2003 maturities, as described below. As of May 9, 2003, CMS Energy at the parent level had approximately $220 million and Panhandle had approximately $39 million of remaining publicly issued and credit facility debt maturing in 2003. In addition, CMS Energy could also become subject to liquidity demands pursuant to commercial commitments under guarantees, indemnities and letters of credit. Management is actively pursuing plans to refinance debt and to sell assets, including the sale of Panhandle. See Outlook section of this MD&A.

CMS Energy has reduced debt through asset sales, securitization proceeds, and proceeds from LNG monetization, with a total of approximately $2.8 billion in cash proceeds from such events over the past two years. Through March of 2003, CMS Energy has accomplished approximately $97 million of additional asset sales. In January 2003, CMS MST closed on the sale of a substantial portion of its natural gas trading contracts for $17 million of cash proceeds. The sale of its interest in the Centennial Pipeline, resulting in net proceeds to CMS Energy of $40 million, closed in February 2003. Additionally, in March 2003, CMS MST sold substantially all of its wholesale power book and related supply portfolio for cash proceeds of $34 million to Constellation Power Source, Inc. The sale contains a potential to increase proceeds to $40 million dependent upon future years' performance of the sold assets. Additionally, during the first quarter of 2003, CMS MST sold its 50 percent joint venture ownership interest in Texon, its 50 percent interest in Premstar and its Tulsa retail contracts, resulting in net cash proceeds of approximately $6 million.

CMS Energy believes that further targeted asset sales, together with its planned reductions in operating expenses, capital expenditures, and the suspension of the common dividend also will contribute to improved liquidity. CMS Energy believes that, assuming the successful implementation of its financial improvement plan, its present level of cash and borrowing capacity along with anticipated cash flows from operating and investing activities will be sufficient to meet its liquidity needs through 2003. There can be no assurances that the financial improvement plan will be successful and failure to achieve its goals could have a material adverse effect on CMS Energy's liquidity and operations. In such event, CMS Energy would be required to consider the full range of strategic measures available to companies in similar circumstances.

CMS Energy continues to explore financing opportunities to supplement its financial improvement plan. These potential opportunities include refinancing its bank credit facilities; entering into leasing arrangements and/or vendor financing; refinancing and issuing new capital markets debt, preferred and/or common equity; and negotiating private placement debt, preferred and/or common equity. Specifically, as of March 31, 2003, CMS Energy has taken the following action to supplement its financial improvement plan in 2003:

- On March 30, 2003 CMS Energy entered into an amendment and restatement of its existing $300 million and $295.8 million revolving credit facilities under which $409 was then outstanding. The Second Amended and Restated Senior Credit Agreement includes a $159 million tranche with a maturity date of April 30, 2004 and a $250 million tranche with a maturity date of

September 30, 2004. The facility was underwritten by several banks at a total annual cost to CMS Energy of approximately ten percent, which includes the initial commitment fee. Any proceeds of debt or equity issuances by CMS Energy and its subsidiaries or any asset sales by CMS Energy or its subsidiaries, other than Consumers, are required to be used to prepay this facility. This facility is primarily collateralized by the stock of Consumers, Enterprises and certain Enterprises subsidiaries.

- On March 30, 2003 Enterprises entered into a revolving credit facility in an aggregate amount of $441 million. The maturity date of this facility is April 30, 2004. Subsequently, on April 21, 2003, Enterprises entered into a $75 million revolving credit facility with a maturity date of April 30, 2004. These facilities were being underwritten by several banks at a total annual cost to CMS Energy of approximately ten percent, which includes the initial commitment fee. Proceeds from these loans will be used for general corporate purposes, to retire debt and to collateralize $160 million of letters of credit. Any proceeds of debt or equity issuances by CMS Energy and its subsidiaries or any asset sales by CMS Energy or its subsidiaries, other than Consumers, are required to be used to prepay these facilities. It is expected that proceeds from the Panhandle sale will be used to pay off these facilities in full. These facilities are guaranteed by CMS Energy, whose guaranty is primarily secured by the stock of Consumers and Enterprises.

In 1994, CMS Energy executed an indenture with J.P. Morgan Chase Bank pursuant to CMS Energy's general term notes program. The indenture, through supplements, contains certain provisions that can trigger a limitation on CMS Energy's consolidated indebtedness. The limitation can be activated when CMS Energy's consolidated leverage ratio, as defined in the indenture (essentially the ratio of consolidated debt to consolidated capital), exceeds 0.75 to 1.0. At March 31, 2003, CMS Energy's consolidated leverage ratio was 0.79 to 1.0. As a result, CMS Energy will not permit certain material subsidiaries, excluding Consumers and its subsidiaries but including Panhandle and its subsidiaries, to become liable for new indebtedness. However, CMS Energy and the material subsidiaries may incur revolving indebtedness to banks of up to $1 billion in the aggregate and refinance existing debt outstanding of CMS Energy and of its material subsidiaries. This leverage ratio may be significantly reduced with the proceeds of CMS Energy's sale of Panhandle, its sale of CMS Field Services, other asset sales or other options.

PANHANDLE FINANCIAL CONDITION

On June 11, 2002, Moody's Investors Service, Inc. lowered its rating on Panhandle's senior unsecured notes from Baa3 to Ba2 based on concerns surrounding the liquidity and debt levels of CMS Energy (see discussion in the CMS Energy Financial Condition section above). On July 15, 2002, Fitch Ratings, Inc. lowered its rating on these notes from BBB to BB+ and again on September 4, 2002 to BB based on similar concerns. On July 16, 2002, S&P also lowered its rating on these notes from BBB- to BB, in line with their rating on CMS Energy based on their belief that CMS Energy and its subsidiaries are at equal risk of default since the parent relies on its subsidiaries to meet its financial commitments. Effective with these downgrades, Panhandle's debt is below investment grade which, if not restored to investment grade, will increase operating and financing costs. Panhandle's senior unsecured note provisions are not directly impacted by debt rating reductions, but are subject to other requirements such as the maintenance of a fixed charge coverage ratio and a leverage ratio which restrict certain payments if not maintained and limitations on liens. At March 31, 2003, Panhandle was subject to a $168 million limitation on additional restricted payments, including dividends and loans to affiliates. At March 31,

2003, Panhandle was in compliance with all covenants, having received a waiver for a certain matter as discussed below.

Due to liquidity issues related to CMS Energy and subsidiaries as discussed above, Panhandle's ability to draw on the full amount of the Note Receivable from CMS Capital, if needed, could be affected.

In conjunction with the Centennial and Guardian pipeline projects, Panhandle provided guarantees related to the project financings during the construction phases and initial operating periods. On July 17, 2002, following the Panhandle debt ratings downgrades by Moody's and S&P, the lender sent notice to Panhandle, pursuant to the terms of the guaranty agreements, requiring Panhandle to provide acceptable credit support for its pro rata portion of those construction loans, which aggregated $110 million including anticipated future draws. On September 27, 2002, Centennial's other partners provided credit support of $25 million each in the form of guarantees to the lender to cover Panhandle's obligation of $50 million of loan guarantees. The partners were paid credit fees by Panhandle on the outstanding balance of the guarantees for the periods which they were in effect. In December 2002, Panhandle recorded a $26 million pre-tax ($16 million after-tax) write-down of its investment in Centennial to $40 million as a result of indicated values upon announcement of the definitive agreement to sell Panhandle and the associated efforts to sell Centennial. On February 10, 2003, Panhandle sold its one-third equity interest in Centennial for $40 million to Centennial's two other partners, MAPL and TEPPCO. Panhandle has been released by MAPL, TEPPCO and the lenders for any liabilities related to Panhandle's $50 million parent guaranty of the project debt. In March 2003, $40 million of cash capital from the sale of Centennial was returned to CMS Gas Transmission.

In October 2002, Panhandle provided a letter of credit to the Guardian lenders which constitutes acceptable credit support under the Guardian financing agreement. This letter of credit was cash collateralized by Panhandle with approximately $63 million. Effective March 10, 2003, Panhandle's ownership interest in Guardian was transferred to CMS Gas Transmission. Panhandle was released from its guarantee obligations associated with the Guardian non-recourse guaranty as of March 10, 2003 by Prudential and the other noteholders. For further information, see Note 5, Related Party Transactions.

In December 2002 and January 2003, Panhandle secured short-term bank loans in the amounts of $30 million and $10 million, respectively, with interest payable at rates of LIBOR plus 4 percent. The loans are due the earlier of December 2003 or upon the sale of Panhandle. On March 31, 2003, Panhandle retired approximately $7 million of the short-term bank loans. The stock of most of Panhandle's subsidiaries were pledged as collateral for the loans, which were utilized to improve overall liquidity which had been reduced by various cash requirements.

On March 1, 2003, certain assets held by CMS Field Services were contributed to Panhandle by its parent, CMS Gas Transmission, with a net book value of $15.2 million, to be included in the sale to Southern Union Panhandle Corp.

Panhandle had received a waiver until April 30, 2003 to provide certified September 30, 2002 financial statements to the LNG Holdings lenders under that credit facility. Panhandle has since satisfied that requirement. Panhandle also has received a waiver until June 30, 2003 of a requirement to provide certain documentation. Should it be unable to execute the required documents by the timing indicated, LNG Holdings could be declared to be in default under its credit facility and the debt thereunder could be accelerated and become immediately due and payable.

OTHER MATTERS

DISCLOSURE AND INTERNAL CONTROLS

Panhandle's CEO and CFO are responsible for establishing and maintaining Panhandle's disclosure controls and procedures. Management, under the direction of Panhandle's principal executive and financial officers, has evaluated the effectiveness of Panhandle's disclosure controls and procedures within the past ninety days of this filing. Based on this evaluation, Panhandle's CEO and CFO have concluded that disclosure controls and procedures are effective to ensure that material information was presented to them and properly disclosed. There have been no significant changes in Panhandle's internal controls that could significantly affect internal controls subsequent to such evaluation.

CUSTOMER CONCENTRATION

During the first quarter of 2003, sales to Proliance Energy, LLC, a nonaffiliated local distribution company and gas marketer, accounted for 16 percent of Panhandle's consolidated revenues, sales to BG LNG Services, a nonaffiliated gas marketer, accounted for 11 percent and sales to subsidiaries of CMS Energy also accounted for 11 percent of Panhandle's consolidated revenues. No other customer accounted for 10 percent or more of consolidated revenues during the same period. Aggregate sales to Panhandle's top 10 customers accounted for 67 percent of revenues during the first quarter of 2003.

ENVIRONMENTAL MATTERS

Panhandle is subject to federal, state, and local laws and regulations governing environmental quality and pollution control. These laws and regulations under certain circumstances require Panhandle to remove or remedy the effect on the environment of specified substances at its operating sites.

PCB ASSESSMENT AND CLEAN-UP PROGRAMS: Panhandle previously identified environmental contamination at certain sites on its systems and undertook clean-up programs at these sites. The contamination resulted from the past use of lubricants containing PCBs in compressed air systems and the prior use of wastewater collection facilities and other on-site disposal areas. Panhandle is also taking actions regarding PCBs in paints at various locations. For further information, see Note 7, Commitments and Contingencies - Environmental Matters.

AIR QUALITY CONTROL: In 1998, the EPA issued a final rule on regional ozone control that requires revised SIPS for 22 states, including five states in which Panhandle operates. Based on EPA guidance to these states for development of these SIPS, Panhandle expects future compliance costs to be approximately $16 million for capital improvements to be incurred from 2004 through 2007.

Panhandle expects final rules from the EPA in 2003 and 2004 regarding control of hazardous air pollutants, and Panhandle expects that some of its engines and turbines will be affected. In 2002, the Texas Commission on Environmental Quality enacted the Houston/Galveston SIP regulations requiring reductions in nitrogen oxide emissions in an eight-county area surrounding Houston. Trunkline's Cypress compressor station is affected and may require the installation of emission controls. In 2003, the new regulations will also require all grandfathered facilities to enter into the new source permit program which may require the installation of emission controls at five additional facilities. The company expects to incur future capital costs of approximately $21 million in order to comply with these programs.

In 1997, the Illinois Environmental Protection Agency initiated an enforcement proceeding relating to alleged air quality permit violations at Panhandle's Glenarm compressor station. On November 15, 2001 the Illinois Pollution Control Board approved an order imposing a penalty of $850 thousand, plus fees and cost reimbursements of $116 thousand. Under terms of the sale of Panhandle to CMS Energy, a

subsidiary of Duke Energy was obligated to indemnify Panhandle against this environmental penalty. The state issued a permit in February 2002 requiring the installation of certain capital improvements at the facility at a cost of approximately $3 million. Controls were installed on two engines in 2002 and it is planned to install controls on two additional engines in 2003 in accordance with the 2002 permit. For further information on the above environmental matters, see Note 7, Commitments and Contingencies - Environmental Matters.

OFF-BALANCE SHEET ARRANGEMENTS AND AGGREGATE CONTRACTUAL OBLIGATIONS: The SEC has adopted new rules that require the company to provide, in a separate captioned subsection of the MD&A, a comprehensive explanation of its off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the company that is material to investors. As of December 31, 2002, Panhandle had guarantees related to the Centennial and Guardian pipeline projects of $50 million and $60 million, respectively, and a letter of credit for $63 million supporting the Guardian guarantee. Panhandle has since been released from these guarantees and the letter of credit obligation has been transferred to CMS Gas Transmission (see Panhandle Financial Condition section of this MD&A). As of March 31, 2003, Panhandle has purchased $2 million of surety bonds to indemnify third parties for unforeseen events which may occur in the course of construction or repair projects.

CASH MANAGEMENT: In August 2002, FERC issued a NOPR concerning the management of funds by certain FERC-regulated companies. The proposed rule could establish limits on the amount of funds that may be swept from a regulated subsidiary to a non-regulated parent under cash management programs. The proposed rule would require written cash management arrangements that would specify the duties and restrictions of the participants, the methods of calculating interest and allocating interest income and expenses, and the restrictions on deposits or borrowings by money pool members. These cash management agreements may also require participants to provide documentation of certain transactions. In the NOPR, FERC proposed that to participate in a cash management or money pool arrangement, FERC-regulated entities would be required to maintain a minimum proprietary capital balance (stockholder's equity) of 30 percent and both the FERC-regulated entity and its parent would be required to maintain investment grade credit ratings. The FERC recently met, but no action was taken on cash management issues related to the NOPR.

NEW ACCOUNTING STANDARDS

In addition to the identified critical accounting policies discussed above, future results will be affected by a number of new accounting standards that recently have been issued.

FASB INTERPRETATION NO. 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES: Issued by the FASB in January 2003, the interpretation expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. The consolidation requirements of the interpretation apply immediately to variable interest entities created after January 31, 2003. For Panhandle, the consolidation requirements apply to pre-existing entities beginning July 1, 2003. Certain of the disclosure requirements apply to all financial statements initially issued after January 31, 2003. Panhandle will be required to consolidate any entities that meet the requirements of the interpretation. Panhandle has adopted the interpretation effective January 1, 2003 and the implementation had no impact on the financial statements presented.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN MILLIONS)

	Three Months Ended March 31, 2003	2002
OPERATING REVENUE		
Transportation and storage of natural gas	$ 116	$ 114
LNG terminalling revenue	14	13
Equity losses from unconsolidated subsidiaries	-	(1)
Other	7	7
Total operating revenue	137	133
OPERATING EXPENSES		
Operation and maintenance	34	32
Administrative and general	19	17
Depreciation and amortization	14	13
General taxes	7	7
Total operating expenses	74	69
PRETAX OPERATING INCOME	63	64
OTHER INCOME, NET	4	3
INTEREST CHARGES		
Interest on long-term debt	18	20
Other interest	2	(2)
Total interest charges	20	18
MINORITY INTEREST	-	1
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	47	48
INCOME TAXES	18	19
INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	29	29
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF TAX:		
Goodwill, FAS 142	-	(369)
Asset Retirement Obligations, FAS 143	2	-
CONSOLIDATED NET INCOME (LOSS)	$ 31	$ (340)

The accompanying condensed notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN MILLIONS)

	Three Months Ended March 31, 2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 31	$ (340)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14	13
Cumulative effect of change in accounting principle	(2)	369
Deferred income taxes	18	22
Changes in current assets and liabilities	(7)	(35)
Net cash provided by operating activities	54	29
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital and investment expenditures	(13)	(10)
Purchase of system gas	(2)	-
Sale of Centennial	40	-
Retirements and other	1	(5)
Net cash provided by (used in) investing activities	26	(15)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (increase)/decrease in current Note receivable - CMS Capital	(62)	7
Debt issuance	10	-
Debt retirements	(10)	-
Debt issuance costs	-	(2)
Return of capital	(40)	-
Dividend	-	(16)
Other	-	1
Net cash used in financing activities	(102)	(10)
Net Increase in Cash and Temporary Cash Investments	(22)	4
CASH AND TEMPORARY CASH INVESTMENTS, BEGINNING OF PERIOD	81	3
CASH AND TEMPORARY CASH INVESTMENTS, END OF PERIOD	$ 59	$ 7
OTHER CASH FLOW ACTIVITIES WERE:		
Interest paid (net of amounts capitalized)	$ 32	$ 34
OTHER NONCASH ACTIVITIES WERE:		
Return of capital - Guardian equity investment	$ (28)	$ -
Property contributions received	15	-

The accompanying condensed notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	March 31, 2003 (Unaudited)	December 31, 2002
ASSETS		
PROPERTY, PLANT AND EQUIPMENT		
Cost	$ 1,794	$ 1,765
Less accumulated depreciation and amortization	202	188
Sub-total	1,592	1,577
Construction work-in-progress	48	44
Net property, plant and equipment	1,640	1,621
INVESTMENTS IN AFFILIATES	5	68
CURRENT ASSETS		
Cash and temporary cash investments at cost, which approximates market	59	81
Restricted cash	-	64
Accounts receivable, less allowances of $5 and $8 as of March 31, 2003 and December 31, 2002, respectively	50	50
Accounts receivable - related parties	6	9
Gas imbalances - receivable	31	18
System gas and operating supplies	27	41
Deferred income taxes	10	13
Note receivable - CMS Capital	185	60
Other	6	6
Total current assets	374	342
NON-CURRENT ASSETS		
Goodwill, net	113	113
Debt issuance cost	17	17
Deferred income taxes	28	40
Non-current system gas	12	15
Other	16	16
Total non-current assets	186	201
TOTAL ASSETS	$ 2,205	$ 2,232

The accompanying condensed notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED BALANCE SHEETS
(IN MILLIONS)

	March 31, 2003 (Unaudited)	December 31, 2002
COMMON STOCKHOLDER'S EQUITY AND LIABILITIES		
CAPITALIZATION		
Common stockholder's equity		
Common stock, no par, 1,000 shares authorized, issued and outstanding	$ 1	$ 1
Accumulated other comprehensive loss	(40)	(39)
Other paid-in capital	1,228	1,281
Accumulated deficit	(310)	(341)
Note receivable - CMS Capital	(150)	(150)
Total common stockholder's equity	729	752
Long-term debt	1,147	1,150
Total capitalization	1,876	1,902
CURRENT LIABILITIES		
Accounts payable	9	9
Accounts payable - related parties	6	8
Current portion of long-term debt	12	12
Note payable	33	30
Gas imbalances - payable	42	41
Accrued taxes	15	11
Accrued interest	11	25
Accrued liabilities	20	21
Other	43	38
Total current liabilities	191	195
NON-CURRENT LIABILITIES		
Post-retirement benefits	55	53
Other	83	82
Total non-current liabilities	138	135
TOTAL COMMON STOCKHOLDER'S EQUITY AND LIABILITIES	$ 2,205	$ 2,232

The accompanying condensed notes are an integral part of these statements.

PANHANDLE EASTERN PIPE LINE COMPANY
CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
AND COMPREHENSIVE INCOME
(UNAUDITED)
(IN MILLIONS)

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
COMMON STOCK		
At beginning and end of period	$ 1	$ 1
OTHER PAID-IN CAPITAL		
At beginning of period	1,281	1,286
Return of capital - Centennial	(40)	-
Return of capital - Guardian equity investment	(28)	-
Trunkline Field Services contribution from CMS Gas Transmission	15	-
At end of period	1,228	1,286
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Minimum Pension Liability		
At beginning of period	(26)	-
At end of period	(26)	-
Interest Rate Swaps		
At beginning of period	(13)	-
Unrealized loss related to interest rate swaps	(1)	-
At end of period	(14)	-
ACCUMULATED DEFICIT		
At beginning of period	(341)	(13)
Net income	31	(340)
Common stock dividends	-	(16)
At end of period	(310)	(369)
NOTE RECEIVABLE - CMS CAPITAL		
At beginning of period	(150)	(150)
At end of period	(150)	(150)
TOTAL COMMON STOCKHOLDER'S EQUITY	$ 729	$ 768
Disclosure of Comprehensive Income:		
Other comprehensive income		
Interest Rate Swaps		
Unrealized loss related to interest rate swaps, net of tax	$ (1)	$ -
Net income (loss)	31	(340)
Total Comprehensive Income (Loss)	$ 30	$ (340)

The accompanying condensed notes are an integral part of these statements.

These interim Consolidated Financial Statements have been prepared by Panhandle in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. As such, certain information and footnote disclosures normally included in full year financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted. Certain prior year amounts have been reclassified to conform to the presentation in the current year. In management's opinion, the unaudited information contained in this report reflects all adjustments necessary to assure the fair presentation of financial position, results of operations and cash flows for the periods presented. The Condensed Notes to the Consolidated Financial Statements and the related Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements contained in the Panhandle Form 10-K for the year ended December 31, 2002 which includes the Report of the Independent Auditors. Due to the seasonal nature of Panhandle's operations, the results as presented for this interim period are not necessarily indicative of results to be achieved for the fiscal year.

1. CORPORATE STRUCTURE

Panhandle is a wholly owned subsidiary of CMS Gas Transmission and ultimately CMS Energy. Panhandle was incorporated in Delaware in 1929. Panhandle is primarily engaged in interstate transportation and storage of natural gas, owns a LNG regasification plant and related facilities, and is subject to the rules and regulations of the FERC. It conducts operations in the central, gulf coast, midwest, and southwest regions of the United States.

In December 2002, CMS Energy reached a definitive agreement to sell the Panhandle companies to Southern Union Panhandle Corp. The agreement called for Southern Union Panhandle Corp, a newly formed entity owned by Southern Union Company and AIG Highstar Capital L.P. to pay $662 million in cash and assume $1.166 billion in debt. On March 13, 2003, CMS Energy and Southern Union Company received requests for additional information ("second requests") from the FTC related to Southern Union's acquisition of Panhandle. CMS Energy and Southern Union are in the process of responding to the second requests.

On May 12, 2003, the parties entered into an amendment to the original stock purchase agreement that was executed in December 2002. Under the amendment, AIG Highstar Capital, L.P. and AIG Highstar II Funding Corp. will no longer be parties to the transaction. The Amended and Restated Stock Purchase Agreement calls for Southern Union Panhandle Corp. to purchase all of Panhandle's outstanding capital stock. Southern Union Panhandle Corp. agreed to pay approximately $584 million in cash and 3 million shares of Southern Union Company common stock, and to assume approximately $1.166 billion in debt. The total value of the transaction to CMS Energy will depend on the price of Southern Union Company common stock at the closing. At May 12, 2003, the closing price of Southern Union common stock on the New York Stock Exchange was $12.79. The boards of directors of all applicable companies have approved the amended agreement. The sale of Panhandle is subject to customary closing conditions and action by the Federal Trade Commission under the Hart-Scott-Rodino Act. All necessary state regulatory approvals for the sale pursuant to the original stock purchase agreement have been received. The parties expect the amendment will expedite the regulatory approval of the transaction and anticipate that state regulatory authorities will not object to the changed terms provided for in the amended agreement. The closing is expected to occur by June 30, 2003. AIG Highstar Capital's withdrawal from the transaction should help resolve regulatory issues that arose as a result of AIG Highstar Capital's ownership of Southern Star Central Gas Pipeline's Inc. CMS Gas Transmission and Southern Union also entered into a shareholder agreement, relating to CMS Gas Transmission's ownership of the Southern Union shares of common stock. Pursuant to this shareholder agreement, CMS Gas Transmission generally will be prohibited from disposing of the Southern Union common stock for a period ending 90 - 105 days following the closing of the transaction.

Under the terms of the Panhandle sale agreement, CMS Energy was to retain Panhandle's ownership interests in the Centennial and Guardian pipeline projects, as well as certain of Panhandle's net deferred tax assets, all tax liabilities, and pension and other postretirement assets and liabilities. Panhandle has since sold its interest in Centennial and the Guardian interest and the related cash collateral has been transferred to Panhandle's direct parent, CMS Gas Transmission. For further information, see Note 5, Related Party Transactions. CMS Gas Transmission has signed a definitive agreement to sell its interest in Guardian, which is also expected to close in the second quarter of 2003.

On March 1, 2003, certain assets held by CMS Field Services with net book value of $15.2 million were contributed to Panhandle by its parent, CMS Gas Transmission, to be included in the sale to Southern

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

PRINCIPLES OF CONSOLIDATIONS: The consolidated financial statements include the accounts of Panhandle and all majority-owned subsidiaries, after eliminating significant intercompany transactions and balances. Investments in businesses not controlled by Panhandle, but over which it has significant influence, are accounted for using the equity method.

USE OF ESTIMATES: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principles of SFAS No. 5 guide the recording of contingent liabilities within the financial statements. Certain accounting principles require subjective and complex judgments used in the preparation of financial statements. Accordingly, a different financial presentation could result depending on the judgment, estimates or assumptions that are used. Such estimates and assumptions, include, but are not specifically limited to: depreciation and amortization, interest rates, discount rates, future commodity prices, mark-to-market valuations, investment returns, volatility in the price of CMS Energy Common Stock, impact of new accounting standards, future costs associated with long-term contractual obligations, future compliance costs associated with environmental regulations and continuing creditworthiness of counterparties. Although these estimates are based on management's knowledge of current expected future events, actual results could materially differ from those estimates.

SYSTEM GAS AND OPERATING SUPPLIES: System gas and operating supplies consists of gas held for operations and materials and supplies, carried at the lower of weighted average cost or market. The gas held for operations that is not expected to be consumed in operations in the next twelve months has been reflected in non-current assets. All system gas and materials and supplies purchased are recorded at the lower of cost or market, while net gas received from and owed back to customers is valued at market.

GAS IMBALANCES: Gas imbalances occur as a result of differences in volumes of gas received and delivered. Gas imbalance in-kind receivables and payables are valued at cost or market, based on whether net imbalances have reduced or increased system gas balances, respectively.

FUEL TRACKER: Liability accounts are maintained for net volumes of fuel gas owed to customers collectively. Trunkline records an asset whenever fuel is due from customers from prior under recovery based on contractual and specific tariff provisions which support the treatment as an asset. Panhandle's other companies that are subject to fuel tracker provisions record an expense when fuel is under recovered. The pipelines' fuel reimbursement is in-kind and non-discountable.

RELATED PARTY TRANSACTIONS: Panhandle enters into a number of significant transactions with related parties. These transactions include revenues for the transportation of natural gas for Consumers,

CMS MST and the MCV Partnership which are based on regulated prices, market prices or competitive bidding. Related party expenses include payments for services provided by affiliates and payment of overhead costs and management and royalty fees to CMS Gas Transmission and CMS Energy, as well as allocated benefit plan costs. Other income is primarily interest income from the Note receivable - CMS Capital (See Note 5, Related Party Transactions).

GOODWILL: Goodwill represents the excess of costs over fair value of assets of businesses acquired. The Company adopted the provisions of SFAS No. 142 as of January 1, 2002. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. Panhandle completed the goodwill impairment testing required upon adoption of SFAS No. 142 in 2002 which resulted in a $601 million pre-tax write-down ($369 million after-tax) under the new standard. The impact has been reflected retroactively to the first quarter of 2002 as a cumulative effect of a change in accounting for goodwill, pursuant to the requirements of SFAS No. 142.

ACCOUNTING FOR RETIREMENT BENEFITS: Panhandle follows SFAS No. 87 to account for pension costs and SFAS No. 106 to account for other postretirement benefit costs. These statements require liabilities to be recorded on the balance sheet at the present value of these future obligations to employees net of any plan assets. The calculation of these liabilities and associated expenses require the expertise of actuaries and are subject to many assumptions, including life expectancies, present value discount rates, expected long-term rate of return on plan assets, rate of compensation increase and anticipated health care costs. Any change in these assumptions can significantly change the liability and associated expenses recognized in any given year.

The Pension Plan is a CMS Energy plan for CMS Energy and affiliates, of which Panhandle is a participating affiliate. The Pension Plan includes amounts for employees of CMS Energy and affiliates, including Panhandle, which were not distinguishable from the Pension Plan's total assets. On December 21, 2002, a definitive agreement was executed to sell Panhandle. The sale is expected to close in 2003. The Pension Plan assets and obligations associated with Panhandle employees will be retained by CMS Energy. Upon the closing of the sale of Panhandle to Southern Union Panhandle Corp., none of the Panhandle employees will be eligible to accrue additional benefits under the Pension Plan. However, the Pension Plan will retain pension payment obligations for Panhandle employees who are vested under the Pension Plan.

ACCOUNTING FOR DERIVATIVES: Panhandle utilizes interest-rate related derivative instruments to manage its exposure on its debt instruments and does not enter into derivative instruments for any purpose other than hedging purposes. That is, Panhandle does not speculate using derivative instruments.

Interest rate swap agreements are used to reduce interest rate risks and to manage interest expense. By entering into these agreements, Panhandle generally converts floating-rate debt into fixed-rate debt. This reduces Panhandle's risk of incurring higher interest costs in periods of rising interest rates. Interest differentials to be paid or received because of swap agreements are reflected as an adjustment to interest expense. The negative fair value of interest rate swap agreements was $24 million pre-tax, $14 million net of tax at March 31, 2003. Current market pricing models were used to estimate fair values of interest rate swap agreements. In accordance with SFAS No. 133, an unrealized loss of $14 million after-tax was recorded to other comprehensive loss. The negative fair value of interest rate swap agreements was $22 million pre-tax, $13 million net of tax at December 31, 2002. Current market pricing models were used to estimate fair values of interest rate swap agreements.

NEW ACCOUNTING STANDARDS ADOPTED

SFAS NO. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS: In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations ("ARO"), which is effective for fiscal years beginning after June 15, 2002. The Statement requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations are incurred. Upon initial recognition of a liability, cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset. Panhandle adopted the new rules on asset retirement obligations on January 1, 2003. Adoption of the new rule resulted in an increase in net property, plant and equipment of $10 million, recognition of an asset retirement obligation of $6 million, and a cumulative effect of adoption that increased net income and stockholder's equity by $2 million, net of tax, and there were no settlements during the first quarter of 2003. Accretion expense for the first quarter of 2003 was approximately $0.1 million and the accretion expense for the first quarter of 2002 would have been approximately $0.1 million on a pro forma basis.

The fair value of ARO liabilities has been calculated using an expected present value technique. This technique reflects assumptions, such as costs, inflation, and profit margin that third parties would consider in order to take on the settlement of the obligation. Fair value, to the extent possible, should include a market risk premium for unforeseeable circumstances. No market risk premium was included in Panhandle's ARO fair value estimate since a reasonable estimate could not be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, such as assets with an indeterminate life, the liability will be recognized when a reasonable estimate of fair value can be made. Generally, mass property such as onshore transmission assets have an indeterminate life, retirement cash flows cannot be determined and there is a low probability of a retirement date, therefore no liability has been recorded for these assets. The initial measurement of the ARO liability for Panhandle's offshore lateral lines is based largely on cost estimates from third parties.

The following table is a general description of the ARO and its associated long-lived assets.

MARCH 31, 2003 — IN MILLIONS

ARO DESCRIPTION	IN SERVICE DATE	LONG LIVED ASSETS	AMOUNT
Retire offshore lateral lines	Various	Panhandle offshore lateral lines	$9.6

The following table is a reconciliation of the carrying amount of the ARO.

MARCH 31, 2003 — IN MILLIONS

	ARO LIABILITY						
ARO DESCRIPTION	PRO FORMA 1/1/02	1/1/03	INCURRED	SETTLED	ACCRETION	CASH FLOW REVISIONS	3/31/03
Offshore laterals	$5.6	$6.0	$0.5	-	$0.1	-	$6.6
Total	$5.6	$6.0	$0.5	-	$0.1	-	$6.6

SFAS NO. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44 AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS: Issued by the FASB on April 30, 2002, this Statement rescinds SFAS No. 4, Reporting Gains and Losses from Extinguishment of Debt, and SFAS No. 64, Extinguishment of Debt Made to Satisfy Sinking-Fund Requirements. As a result, any gain or loss on extinguishment of debt should be classified as an extraordinary item only if it meets the criteria set forth in APB Opinion No. 30. SFAS No. 145 amends SFAS No. 13, Accounting for Leases, to require sale-leaseback accounting for certain lease modifications that have similar economic impacts to sale-leaseback transactions. This provision is effective for transactions occurring and financial statements issued after May 15, 2002. Panhandle has adopted SFAS No. 145 and the implementation resulted in no amount being reclassified during the first quarter of 2003.

SFAS NO. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES: Issued by the FASB in July 2002, this standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 supersedes previous accounting guidance, EITF No. 94-3, "Liability recognition for Certain Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred In a Restructuring)." This standard is effective for exit or disposal activities initiated after December 31,

2002. The scope of SFAS No. 146 includes, (1) costs related to termination benefits of employees who are involuntarily terminated, (2) costs to terminate a contract that is not a capital lease, and (3) costs to consolidate facilities or relocate employees. Any future exit or disposal activities that Panhandle may engage in will be subject to the provisions of this statement.

SFAS NO. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION - TRANSITION AND DISCLOSURE: Issued by the FASB in December 2002, this standard provides for alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, the statement amends the disclosure requirements of SFAS No. 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of the statement are effective as of December 31, 2002 and interim disclosure provisions are effective for interim financial reports starting in 2003. Panhandle has adopted the fair value based method of accounting for stock-based employee compensation effective December 31, 2002, the amounts of which were immaterial during the fourth quarter of 2002, applying the prospective method of adoption which requires recognition of all employee awards granted, modified, or settled after the beginning of the year in which the recognition provisions are first applied. Panhandle has adopted SFAS No. 148 for new awards granted since January 1, 2002, and the application of SFAS No. 148 resulted in no amount recorded during the first quarter of 2003.

FASB INTERPRETATION NO. 45, GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENT FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS: Issued by the FASB in November 2002, the interpretation expands on existing disclosure requirements for most guarantees, and clarifies that at the time a company issues a guarantee, the company must recognize an initial liability for the fair value, or market value, of the obligations it assumes under that guarantee and must disclose that information in its interim and annual financial statements. The interpretation is effective for guarantees issued or modified on and after January 1, 2003. For contracts that are within the initial recognition and measurement provision of this interpretation, the provisions are to be applied to guarantees issued or modified after December 31, 2002. Implementation of the standard resulted in no amount being recorded in the first quarter of 2003.

FASB INTERPRETATION NO. 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES: Issued by the FASB in January 2003, the interpretation expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. The consolidation requirements of the interpretation apply immediately to variable interest entities created after January 31, 2003. For Panhandle, the consolidation requirements apply to pre-existing entities beginning July 1, 2003. Certain of the disclosure requirements apply to all financial statements initially issued after January 31, 2003. Panhandle will be required to consolidate any entities that meet the requirements of the interpretation. Panhandle has adopted the interpretation effective January 1, 2003 and the implementation had no impact on the financial statements presented.

3. REGULATORY MATTERS

In conjunction with a FERC order issued in September 1997, FERC required certain natural gas producers to refund previously collected Kansas ad-valorem taxes to interstate natural gas pipelines, including Panhandle Eastern Pipe Line. FERC ordered these pipelines to refund these amounts to their customers. In June 2001, Panhandle Eastern Pipe Line filed with the FERC a proposed settlement, which was supported by most of the customers and affected producers. In October 2001, the FERC approved that settlement. The settlement provided for a resolution of the Kansas ad-valorem tax matter on the Panhandle Eastern Pipe Line system for a majority of refund amounts. Certain producers and the state of Missouri elected to not participate in the

settlement. A FERC hearing to resolve all outstanding issues has been scheduled for October 16, 2003. At March 31, 2003 and December 31, 2002, accounts receivable included $8 million for tax collections due from natural gas producers. At March 31, 2003 and December 31, 2002, other current liabilities included $11 million for tax collections due to customers. On January 2, 2003, the Commission issued an order indicating its intention to cease collection efforts for approximately $5 million of the amounts due from affected producers. Remaining amounts collected but not refunded are subject to refund pending resolution of issues remaining in the FERC docket and Kansas intrastate proceeding.

In March 2001, Trunkline received FERC approval to abandon 720 miles of its 26-inch diameter pipeline that extends from Longville, Louisiana to Bourbon, Illinois. This filing was in conjunction with Centennial, a joint venture in which Panhandle owned a one-third equity interest, converting the line from natural gas transmission service to a refined products pipeline, which began full commercial service in April 2002. Effective April 2001, the 26-inch pipeline was conveyed to Centennial. On February 10, 2003, Panhandle sold its one-third equity interest in Centennial for $40 million to Centennial's two other partners, MAPL and TEPPCO.

In July 2001, Panhandle Eastern Pipe Line filed a settlement with customers on FERC Order 637 matters to resolve issues including capacity release and imbalance penalties, among others. On October 12, 2001 and December 19, 2001 FERC issued orders approving the settlement, with modifications. The settlement changes became final effective February 1, 2002 and Panhandle recognized approximately $3 million of income, after-tax, including interest. Management believes that this matter will not have a material adverse effect on consolidated results of operations or financial position.

In December 2001, Trunkline LNG filed with the FERC a certificate application to expand the Lake Charles facility to approximately 1.2 billion cubic feet per day of sendout capacity versus the current capacity of 630 million cubic feet per day. The BG Group has contract rights for all of this additional capacity. In December 2002, the FERC issued an order approving the LNG terminal expansion. In March 2003, Trunkline LNG received FERC authorization to commence construction. On April 17, 2003, Trunkline LNG filed to amend the authority granted for its LNG expansion with certain facility modifications. The modifications will not affect the authorized additional storage capacity and daily sendout capability and confirms the revised in-service date of January 1, 2006.

Panhandle has sought refunds from the State of Kansas concerning certain corporate income tax issues for the years 1981 through 1984. On January 25, 2002, the Kansas Supreme Court entered an order affirming a previous Board of Tax Court finding that Panhandle was entitled to refunds which with interest total approximately $26 million. Pursuant to the provisions of the purchase agreement between CMS Energy and a subsidiary of Duke Energy, Duke retains the benefits of any tax refunds or liabilities for periods prior to the date of the sale of Panhandle to CMS Energy.

In February 2002, Trunkline Gas filed a settlement with customers on Order 637 matters to resolve issues including capacity release and imbalance penalties, among others. On July 5, 2002, FERC issued an order approving the settlement, with modifications. On October 18, 2002, Trunkline Gas filed tariff sheets with the FERC to implement Order 637 changes effective November 1, 2002. On February 12, 2003, FERC issued an order approving the settlement to be effective November 1, 2002. Management

believes that this matter will not have a material adverse effect on consolidated results of operations or financial position.

4. GOODWILL IMPAIRMENT

Goodwill represents the excess of costs over fair value of assets of businesses acquired. Panhandle adopted the provisions of SFAS No. 142 as of January 1, 2002. Goodwill acquired in a purchase business combination and determined to have an indefinite useful life is not amortized, but instead tested for impairment annually in accordance with the provisions of SFAS No. 142. SFAS No. 142's transitional goodwill impairment evaluation required Panhandle to perform an assessment of whether there was an indication that goodwill was impaired as of the date of adoption. Panhandle's goodwill, which resulted from CMS Energy's acquisition in March 1999, was tested for impairment as of January 1, 2002, based on valuations by independent appraisers. As defined in SFAS No. 142, Panhandle was considered a single reporting unit. The fair value of the reporting unit was determined using a combination of the income approach based on discounted cash flows and a market approach using public guideline companies and market transactions. The goodwill impairment amount was determined by comparing the fair value of goodwill to book value. The goodwill impairment test resulted in a $601 million pre-tax write-down ($369 million after-tax) and was recorded retroactive to the first quarter of 2002 as the cumulative effect of a change in accounting for goodwill, pursuant to the requirements of SFAS No. 142.

5. RELATED PARTY TRANSACTIONS

	THREE MONTHS ENDED MARCH 31, 2003	THREE MONTHS ENDED MARCH 31, 2002
	IN MILLIONS	
Transportation of natural gas	$ 15	$ 12
Other operating revenues	-	(1)
Operation and maintenance		
Management & royalty fees	-	4
Other Expenses (a)	6	8
Interest income	3	2

(a) Includes allocated benefit plan costs

Panhandle has a number of significant transactions with related parties. Revenue transactions, primarily for the transportation of natural gas for Consumers, CMS MST and the MCV Partnership, all related parties, are based on regulated prices, market prices or competitive bidding. Related party expenses include payments for services provided by affiliates, as well as allocated benefit plan costs. Effective January 1, 2003, in conjunction with the pending sale of Panhandle, CMS Energy ceased charging Panhandle management and royalty fees.

Other operating revenue for the three month period ended March 31, 2002 includes equity losses related to Centennial of $1 million. There was no income related to Centennial in the first quarter of 2003. On February 10, 2003, Panhandle sold its one-third interest in Centennial for $40 million to Centennial's two other partners, MAPL and TEPPCO. On March 28, 2003, $40 million of cash capital from the sale of Centennial was returned to CMS Gas Transmission.

Interest income includes $3 million and $2 million for the period ended March 31, 2003 and 2002, respectively, for interest on the Note receivable from CMS Capital.

In June 2001, Panhandle received a $150 million capital contribution from CMS Gas Transmission. In June 2001, Panhandle also loaned CMS Capital $150 million. At December 31, 2002, Note receivable - CMS Capital, totaled $210 million, of which $150 million is reflected as a reduction to shareholder's equity and $60 million is reflected as current. At March 31, 2003, Note receivable - CMS Capital, totaled $335 million, of which $150 million is reflected as a reduction to shareholder's equity and $185 million is reflected as current. Net cash generated by Panhandle, including funds from the Trunkline LNG monetization transaction, in excess of operating, investing or financing needs, has been loaned to CMS Capital and is reflected as Note receivable-CMS Capital on the Consolidated Balance Sheet. Panhandle was credited with interest on the note at the 30 day commercial paper rate plus 12.5 basis points through July 2002. In August of 2002, the interest rate was increased to a one-month Libor plus 300 basis points.

Due to liquidity issues related to CMS Energy and subsidiaries, Panhandle's ability to draw on the full amount of the Note Receivable from CMS Capital, if needed, could be affected.

A summary of certain balances due to or due from related parties included in the Consolidated Balance Sheets is as follows:

	MARCH 31, 2003 (UNAUDITED)	DECEMBER 31, 2002 (AUDITED)
	IN MILLIONS	
Note receivable - CMS Capital	$185	$60
Accounts receivable	6	5
Accounts receivable - tax	-	4
Current assets - other	2	1
Accounts payable	6	8
Stockholder's equity - note receivable	(150)	(150)

At December 31, 2002, Panhandle had an intercompany tax receivable of $4 million. The $4 million receivable at December 31, 2002 represented estimated amounts to be received from CMS Energy over the next twelve months for federal income taxes.

At March 31, 2003 and December 31, 2002, Panhandle had an intercompany prepaid insurance balances of $2 and $1 million, respectively, which represent insurance prepayments by CMS Energy allocated to Panhandle and are included in Current assets - other.

On March 10, 2003, Panhandle's ownership interest in Guardian was transferred to CMS Gas Transmission as a return of capital and Panhandle was released from its guarantee obligations associated with the Guardian non-recourse guaranty by Prudential and the other noteholders (see Note 7, Commitments and Contingencies). As a result, the $63 million in special deposits which collateralized the guaranty and had been reflected as restricted cash in Panhandle's financial statements were advanced to CMS Capital as part of the demand Note Receivable from CMS Capital and were then made available to CMS Gas Transmission.

On March 1, 2003, certain assets held by CMS Field Services with a net book value of $15.2 million were contributed to Panhandle by its parent, CMS Gas Transmission, to be included in the sale to Southern Union Panhandle Corp.

6. DEBT RATING DOWNGRADES

On June 11, 2002, Moody's Investors Service, Inc. lowered its rating on Panhandle's senior unsecured notes from Baa3 to Ba2 based on concerns surrounding the liquidity and debt levels of CMS Energy. On July 15, 2002, Fitch Ratings, Inc. lowered its rating on these notes from BBB to BB+ and again on September 4, 2002 to BB based on similar concerns. On July 16, 2002, S&P also lowered its rating on these notes from BBB- to BB, in line with their rating on CMS Energy based on their belief that CMS Energy and its subsidiaries are at equal risk of default since the parent relies on its subsidiaries to meet its financial commitments. Effective with this downgrade, Panhandle's debt is below investment grade. Each of the three major ratings services currently have negative outlooks for CMS Energy and its subsidiaries, due to uncertainties associated with CMS Energy's financial condition and liquidity pending resolution of the round trip trading investigations and lawsuits, financial statement restatement and re-audit, and access to the capital markets.

Panhandle, as a result of the ratings downgrade by both Moody's and S&P to below investment grade levels, can be required to pay the balance of the demand loan owed LNG Holdings including the remaining principal and accrued interest at any time such downgrades exist. In November 2002, Panhandle acquired Dekatherm Investor Trust's interest, and owns 100% of LNG Holdings and will not demand payment on the note payable to LNG Holdings.

7. COMMITMENTS AND CONTINGENCIES

LITIGATION: Panhandle is involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, some of which involve substantial amounts. Where appropriate, Panhandle has made accruals in accordance with SFAS No. 5 in order to provide for such matters. Management believes the final disposition of these proceedings will not have a material adverse effect on consolidated results of operations, liquidity, or financial position.

ENVIRONMENTAL MATTERS: Panhandle is subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. Panhandle has identified environmental contamination at certain sites on its systems and has undertaken cleanup

programs at these sites. The contamination resulted from the past use of lubricants containing PCBs in compressed air systems and the prior use of wastewater collection facilities and other on-site disposal areas. Panhandle communicated with the EPA and appropriate state regulatory agencies on these matters. Under the terms of the sale of Panhandle to CMS Energy, a subsidiary of Duke Energy is obligated to complete the Panhandle cleanup programs at certain agreed-upon sites and to indemnify against certain future environmental litigation and claims. Duke Energy's cleanup activities have been completed on all but one of the agreed-upon sites. Should additional information be requested regarding sites where compliance information has been submitted, Panhandle would be obligated to respond to these requests.

As part of the cleanup program resulting from contamination due to the use of lubricants containing PCBs in compressed air systems, Panhandle Eastern Pipe Line and Trunkline have identified PCB levels above acceptable levels inside the auxiliary buildings that house the air compressor equipment at thirty-two compressor station sites. Panhandle has developed and is implementing an EPA-approved process to remediate this PCB contamination in accordance with federal, state and local regulations.

At some locations, PCBs have been identified in paint that was applied many years ago. In accordance with EPA regulations, Panhandle is implementing a program to remediate sites where such issues have been identified during painting activities. If PCBs are identified above acceptable levels, the paint is removed and disposed of in an EPA-approved manner. Approximately 15 percent of the paint projects in the last few years have required this special procedure.

The Illinois EPA notified Panhandle Eastern Pipe Line and Trunkline, together with other non-affiliated parties, of contamination at former waste oil disposal sites in Illinois. Panhandle and 21 other non-affiliated parties conducted an initial investigation of one of the sites. Based on the information found during the initial investigation, Panhandle and the 21 other non-affiliated parties have decided to further delineate the extent of contamination by authorizing a Phase II investigation at this site. Once data from the Phase II investigation is evaluated, Panhandle and the 21 other non-affiliated parties will determine what additional actions will be taken. Panhandle Eastern Pipe Line's and Trunkline's estimated share for the costs of assessment and remediation of the sites, based on the volume of waste sent to the facilities, is approximately 17 percent.

Panhandle expects these cleanup programs to continue for several years and has estimated its share of remaining cleanup costs not indemnified by Duke Energy to range from $18 million to $25 million. Panhandle has accrued approximately $22 million of such costs, of which $8 million is included in Other Current Liabilities for the estimated current amounts and $14 million is included in Other Non-current Liabilities on the Consolidated Balance Sheet at March 31, 2003. At December 31, 2002, Panhandle had $4 million included in Other Current Liabilities and $18 million included in Other Non-current Liabilities.

AIR QUALITY CONTROL: In 1998, the EPA issued a final rule on regional ozone control that requires revised SIPS for 22 states, including five states in which Panhandle operates. This EPA ruling was challenged in court by various states, industry and other interests, including INGAA, an industry group to which Panhandle belongs. In March 2000, the court upheld most aspects of the EPA's rule, but agreed with INGAA's position and remanded to the EPA the sections of the rule that affected Panhandle. Based on EPA guidance to these states for development of SIPs, Panhandle expects future compliance costs to be approximately $16 million for capital improvements to be incurred from 2004 through 2007.

As a result of the 1990 Clean Air Act Amendments, the EPA must issue MACT rules controlling hazardous air pollutants from internal combustion engines and turbines. These rules are expected in late 2003 and mid 2004. Beginning in 2002, the Texas Commission on Environmental Quality enacted the

Houston/Galveston SIP regulations requiring reductions in nitrogen oxide emissions in an eight county area surrounding Houston. Trunkline's Cypress compressor station is affected and may require the installation of emission controls. In 2003, the new regulations will also require all "grandfathered" facilities to enter into the new source permit program which may require the installation of emission controls at five additional facilities. The company expects future capital costs for these programs to be approximately $21 million.

In 1997, the Illinois Environmental Protection Agency initiated an enforcement proceeding relating to alleged air quality permit violations at Panhandle's Glenarm compressor station. On November 15, 2001 the Illinois Pollution Control Board approved an order imposing a penalty of $850 thousand, plus fees and cost reimbursements of $116 thousand. Under terms of the sale of Panhandle to CMS Energy, a subsidiary of Duke Energy was obligated to indemnify Panhandle against this environmental penalty. The state issued a permit in February of 2002, requiring the installation of certain capital improvements at the facility at a cost of approximately $3 million. Controls were installed on two engines in 2002 and Panhandle plans to install controls on two additional engines in 2003 in accordance with the 2002 permit.

SEC INVESTIGATION: As a result of the round-trip trading transactions at CMS MST, CMS Energy's Board of Directors established a special committee of independent directors to investigate matters surrounding the transactions and retained outside counsel to assist in the investigation. The committee completed its investigation and reported its findings to the Board of Directors in October 2002. The special committee concluded, based on an extensive investigation, that the round-trip trades were undertaken to raise CMS MST's profile as an energy marketer with the goal of enhancing its ability to market its services. The committee found no apparent effort to manipulate the price of CMS Energy stock or affect energy prices. The special committee also made recommendations designed to prevent any reoccurrence of this practice, most of which have already been implemented. Previously, CMS Energy terminated its speculative trading business and revised its risk management policy. The Board of Directors adopted, and CMS Energy has begun implementing, the remaining recommendations of the special committee.

ACCOUNTING FOR RETIREMENT BENEFITS: Panhandle follows SFAS No. 87 to account for pension costs and SFAS No. 106 to account for other postretirement benefit costs. These statements require liabilities to be recorded on the balance sheet at the present value of these future obligations to employees net of any plan assets. The calculation of these liabilities and associated expenses require the expertise of actuaries and are subject to many assumptions, including life expectancies, present value discount rates, expected long-term rate of return on plan assets, rate of compensation increase and anticipated health care costs. Any change in these assumptions can significantly change the liability and associated expenses recognized in any given year.

The Pension Plan is a CMS Energy plan for CMS Energy and affiliates, of which Panhandle is a participating affiliate. The Pension Plan includes amounts for employees of CMS Energy and affiliates, including Panhandle, which were not distinguishable from the Pension Plan's total assets. On December 21, 2002, a definitive agreement was executed to sell Panhandle. The sale is expected to close in 2003. The Pension Plan assets and obligations associated with Panhandle employees will be retained by CMS Energy. When the Southern Union Panhandle Corp. transaction closes, none of the Panhandle employees will be eligible to accrue additional benefits under the Pension Plan. However, the Pension Plan will retain pension payment obligations under the Pension Plan for Panhandle employees who are vested under the Pension Plan.

The significant downturn in the equities markets has affected the value of the Pension Plan's assets. The estimated fair value of the Pension Plan's assets at December 31, 2002 was $607 million and the Accumulated Benefit Obligation was estimated at $1.055 billion. The Pension Plan's Accumulated Benefit Obligation thus exceeded the value of the assets at December 31, 2002, and as a result, Panhandle and the other participants of the plan were required to recognize an additional minimum liability for this excess in accordance with SFAS No. 87. As of December 31, 2002, the additional minimum liability allocated to Panhandle was $48 million, of which $6 million was recorded as an intangible asset, and $42 million was charged to other comprehensive income ($26 million after-tax).

CMS Energy estimates CMS Energy's pension expense will approximate $46 million, $51 million and $58 million in 2003, 2004 and 2005, respectively, as compared to an approximated $33 million in 2002 of which Panhandle's allocated share was approximately 11 percent. Future actual pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the populations participating in the Pension Plan.

In order to keep health care benefits and costs competitive, CMS Energy has announced several changes to the Health Care Plan. These changes are effective January 1, 2003. The most significant change is that CMS Energy's future increases in health care costs will be shared with salaried employees. The salaried retirees Health Care Plan also has been amended. Pre-Medicare retirees now elect coverage from four different levels of coverage, with the two best coverage options requiring premium contributions. These plans also coordinate benefits under a maintenance of benefits provision to reduce claims costs. Mail-order prescription copays also have been increased for all salaried employees.

OTHER COMMITMENTS AND CONTINGENCIES: In 1993, the U.S. Department of the Interior announced its intention to seek additional royalties from gas producers as a result of payments received by such producers in connection with past take-or-pay settlements, and buyouts and buydowns of gas sales contracts with natural gas pipelines. Panhandle Eastern Pipe Line and Trunkline, with respect to certain producer contract settlements, may be contractually required to reimburse or, in some instances, to indemnify producers against such royalty claims. The potential liability of the producers to the government and of the pipelines to the producers involves complex issues of law and fact which are likely to take substantial time to resolve. If required to reimburse or indemnify the producers, Panhandle Eastern Pipe Line and Trunkline may file with FERC to recover a portion of these costs from pipeline customers. Management believes these commitments and contingencies will not have a material adverse effect on consolidated results of operations, liquidity or financial position. At March 31, 2003 and 2002, Panhandle has accrued approximately $14 million in Non-current Liabilities on the Consolidated Balance Sheet related to this matter.

In May 2001, Panhandle provided a guaranty related to project financing associated with its investment in Centennial in an amount up to $50 million during the initial operating period of the project. Due to rating agency downgrades of Panhandle's debt, the Centennial lender required additional credit support from Panhandle. On September 27, 2002 Panhandle's partners provided credit support of $25 million each in the form of guarantees to the Centennial lender to cover Panhandle's $50 million obligation. The partners were paid credit fees by Panhandle on the outstanding balance of the guarantees for the periods for which they were in effect. On February 10, 2003, Panhandle sold its one-third equity interest in Centennial for $40 million to Centennial's two other partners, MAPL and TEPPCO. Panhandle has been released by MAPL, TEPPCO and the lenders for any liabilities related to Panhandle's $50 million parent guaranty of the project debt.

In November 2001, in conjunction with the Guardian project, Panhandle provided a $60 million guaranty related to project financing during the construction and initial operating period of the project. The

guaranty is released when Guardian reaches certain operational and financial targets. Due to rating agency downgrades of Panhandle's debt, the Guardian lender assessed credit fees and required additional credit support from Panhandle. In October 2002, Panhandle provided a letter of credit to the lenders which constitutes acceptable credit support under the Guardian financing agreement. This letter of credit was cash collateralized by Panhandle with approximately $63 million which, including accumulated interest, is reflected as Restricted Cash on the Consolidated Balance Sheet at December 31, 2002. On March 10, 2003, Panhandle's ownership interest in Guardian was transferred back to CMS Gas Transmission (see Note 5, Related Party Transactions). Panhandle was also released from the guarantee obligations associated with the Guardian non-recourse debt as of March 10, 2003, by the partners, Prudential and the other noteholders.

In December 2002 and January 2003, Panhandle secured short-term bank loans in the amounts of $30 million and $10 million, respectively, with interest payable at rates of LIBOR plus 4 percent. The loans are due the earlier of December 2003 or upon sale of Panhandle. The stock of most of Panhandle's subsidiaries were pledged as collateral for the loans, which were utilized to improve overall liquidity which had been reduced by various cash requirements.

Panhandle had received a waiver until April 30, 2003 to provide certified September 30, 2002 financial statements to the LNG Holdings lenders under that credit facility. Panhandle has since satisfied that requirement. Panhandle also received a waiver until June 30, 2003 of a requirement to provide certain documentation. Should it be unable to execute the required documents by the timing indicated, LNG Holdings could be declared to be in default under its credit facility and the debt thereunder could be accelerated and become immediately due and payable.

Occasionally, Panhandle will purchase surety bonds to indemnify third parties for unforeseen events which may occur in the course of construction or repair projects. As of March 31, 2003, Panhandle has purchased $2 million of these surety bonds.

SALE OF PANHANDLE

On May 12, 2003, CMS Energy and Southern Union Company entered into an amendment to the original stock purchase agreement executed in December 2002, related to Southern Union's acquisition of Panhandle. For further information, see Note 1, Corporate Structure.

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QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK

CMS ENERGY

Quantitative and Qualitative Disclosures about Market Risk is contained in PART I: CMS ENERGY CORPORATION'S MANAGEMENT'S DISCUSSION AND ANALYSIS, which is incorporated by reference herein.

CONSUMERS

Quantitative and Qualitative Disclosures about Market Risk is contained in PART I: CONSUMERS' ENERGY COMPANY'S MANAGEMENT'S DISCUSSION AND ANALYSIS, which is incorporated by reference herein.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The discussion below is limited to an update of developments that have occurred in various judicial and administrative proceedings, many of which are more fully described in CMS Energy's, Consumers' and Panhandle's respective Form 10-Ks for the year ended December 31, 2002. Reference is also made to the Condensed Notes to the Consolidated Financial Statements, in particular Note 4 - Uncertainties for CMS Energy, Note 2, Uncertainties for Consumers, and Note 7 - Commitments and Contingencies for Panhandle, included herein for additional information regarding various pending administrative and judicial proceedings involving rate, operating, regulatory and environmental matters.

CMS ENERGY

DEMAND FOR ACTIONS AGAINST OFFICERS AND DIRECTORS

The Board of Directors of CMS Energy received a demand, on behalf of a shareholder of CMS Energy Common Stock, that it commence civil actions (i) to remedy alleged breaches of fiduciary duties by CMS Energy officers and directors in connection with round-trip trading at CMS MST, and (ii) to recover damages sustained by CMS Energy as a result of alleged insider trades alleged to have been made by certain current and former officers of CMS Energy and its subsidiaries. If the Board elects not to commence such actions, the shareholder has stated that he will initiate a derivative suit, bringing such claims on behalf of CMS Energy. CMS Energy has elected two new members to its Board of Directors who will serve as an independent litigation committee to determine whether it is in the best interest of the company to bring the action demanded by the shareholder. Counsel for the shareholder has agreed to extend the time for CMS Energy to respond to the demand. CMS Energy cannot predict the outcome of this litigation.

CMS ENERGY AND CONSUMERS

EMPLOYMENT RETIREMENT INCOME SECURITY ACT ("ERISA") CLASS ACTION LAWSUITS

CMS Energy is a named defendant, along with Consumers, CMS MS&T and certain named and unnamed officers and directors, in two lawsuits brought as purported class actions on behalf of participants and beneficiaries of the CMS Employee's Savings and Incentive Plan (the "Plan"). The two cases, filed in July 2002 in the U.S. District Court, were consolidated by the trial judge, and an amended consolidated complaint was filed. Plaintiffs allege breaches of fiduciary duties under ERISA and seek restitution on behalf of the Plan with respect to a decline in value of the shares of Common Stock held in the Plan. Plaintiffs also seek other equitable relief and legal fees. These cases will be vigorously defended. CMS Energy and Consumers cannot predict the outcome of this litigation.

SECURITIES CLASS ACTION LAWSUITS

Beginning on May 17, 2002, a number of securities class action complaints were filed against CMS Energy, Consumers, and certain officers and directors of CMS Energy and its affiliates. The complaints were filed as purported class actions in the United States District Court for the Eastern District of Michigan. The cases were consolidated into a single lawsuit and an amended and consolidated class action complaint was filed on May 1, 2003. The defendants named in the amended and consolidated class action complaint consist of CMS Energy, Consumers, certain officers and directors of CMS Energy and its affiliates, and certain underwriters of CMS Energy securities. The purported class period is from May 1, 2000 through and including March 31, 2003. The amended and consolidated class action complaint seeks unspecified damages based on allegations that the defendants violated United States securities laws and regulations by making allegedly false and misleading statements about CMS Energy's business and financial condition. The companies intend to vigorously defend against this action but cannot predict the outcome of this litigation.

CMS ENERGY, CONSUMERS AND PANHANDLE

ENVIRONMENTAL MATTERS: CMS Energy, Consumers, Panhandle and their subsidiaries and affiliates are subject to various federal, state and local laws and regulations relating to the environment. Several of these companies have been named parties to various actions involving environmental issues. Based on their present knowledge and subject to future legal and factual developments, CMS Energy, Consumers and Panhandle believe that it is unlikely that these actions, individually or in total, will have a material adverse effect on their financial condition. See CMS Energy's, Consumers' and Panhandle's MANAGEMENT'S DISCUSSION AND ANALYSIS; and CMS Energy's, Consumers' and Panhandle's CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

ITEM 5. OTHER INFORMATION

A shareholder who wishes to submit a proposal for consideration at the CMS Energy 2004 Annual Meeting pursuant to the applicable rules of the SEC must send the proposal to reach CMS' Corporate Secretary on or before December 24, 2003. In any event if CMS has not

received written notice of any matter to be proposed at that meeting by March 8, 2004, the holders of the proxies may use their discretionary voting authority on any such matter. The proposals should be addressed to: Mr. Michael D. VanHemert, Corporate Secretary, One Energy Plaza, Jackson, Michigan 49201.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) LIST OF EXHIBITS

(3)	By-Laws of Consumers Energy Company
(4)(a)	87th Supplemental Indenture, dated as of March 26, 2003, between Consumers Energy Company and JPMorgan Chase Bank as Trustee
(4)(b)	88th Supplemental Indenture, dated as of March 27, 2003, between Consumers Energy Company and JPMorgan Chase Bank as Trustee
(4)(c)	89th Supplemental Indenture, dated as of March 28, 2003, between Consumers Energy Company and JPMorgan Chase Bank as Trustee
(4)(d)	90th Supplemental Indenture, dated as of April 30, 2003, between Consumers Energy Company and JPMorgan Chase Bank as Trustee
(4)(e)	$140 million Term Loan Agreement dated March 26, 2003 between Consumers Energy Company and the Bank/Agent, as defined therein
(4)(f)	$250 million Revolving Credit Facility dated March 27, 2003 among Consumers Energy Company, the Banks, the Agent, and the Co-Documentation Agents, all as defined therein
(4)(g)	$150 million Term Loan Agreement dated March 28, 2003 among Consumers Energy Company, the Banks, and the Agent, all as defined therein
(4)(h)	$409 million Second Amended and Restated Credit Facility dated March 30, 2003 among CMS Energy Corporation, the Banks, and the Administrative Agent/Collateral Agent, all as defined therein
(4)(i)	$441 million Revolving Credit Facility dated March 30, 2003 among CMS Enterprises Company as Borrower, CMS Energy Corporation as the Loan Party, the Banks, and the Administrative Agent/Collateral Agent, all as defined therein
(4)(j)	$75 million Revolving Credit Facility dated April 21, 2003 among CMS Enterprises Company as Borrower, CMS Energy Corporation as the Loan Party, the Banks, and the Administrative Agent/Collateral Agent, all as defined therein
(10)(a)	Stock Purchase Agreement by and among CMS Gas Transmission Company, AIG Highstar Capital, L.P., AIG Highstar II Funding Corp., Southern Union Company and Southern Union Panhandle Corp. dated as of December 21, 2002 (Filed as Exhibit 10.1 to Form 8-K filed December 22, 2002)
(10)(b)	Amended and Restated Stock Purchase Agreement by and among CMS Gas Transmission Company, Southern Union Company and Southern Union Panhandle Corp. dated as of May 12, 2003
(10)(c)	Shareholder Agreement by and between CMS Gas Transmission Company and Southern Union Company dated as of May 12, 2003
(10)(d)	Amendment Agreement by and among CMS Gas Transmission Company, AIG Highstar Capital, L.P., AIG Highstar II Funding Corp., Southern Union Company and Southern Union Panhandle Corp. dated as of May 12, 2003
(12)	CMS Energy: Statements regarding computation of Ratio of Earnings to Fixed Charges
(99)(a)	CMS Energy Corporation's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(99)(b)	Consumers Energy Company's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(99)(c) Panhandle Eastern Pipe Line Corporation's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(B) REPORTS ON FORM 8-K

CMS ENERGY

During 1st Quarter 2003, CMS Energy filed reports of Form 8-K on January 24, 2003, February 21, 2003, March 5, 2003 and March 13, 2003 covering matters pursuant to ITEM 5. OTHER EVENTS.

CONSUMERS

During 1st Quarter 2003, Consumers filed reports of Form 8-K on January 24, 2003, February 21, 2003, March 5, 2003 and March 13, 2003 covering matters pursuant to ITEM 5. OTHER EVENTS.

PANHANDLE

During 1st Quarter 2003, Panhandle filed reports of Form 8-K on January 24, 2003, February 21, 2003 and March 13, 2003 covering matters pursuant to ITEM 5. OTHER EVENTS.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiary.

CMS ENERGY CORPORATION
(Registrant)

Dated: May 13, 2003 By: /s/ Thomas J. Webb

Thomas J. Webb
Executive Vice President and
Chief Financial Officer

CONSUMERS ENERGY COMPANY
(Registrant)

Dated: May 13, 2003 By: /s/ Thomas J. Webb

Thomas J. Webb
Executive Vice President and
Chief Financial Officer

PANHANDLE EASTERN PIPE LINE COMPANY
(Registrant)

Dated: May 13, 2003 By: /s/ Thomas J. Webb

Thomas J. Webb
Executive Vice President and
Chief Financial Officer

CERTIFICATION OF KENNETH WHIPPLE

I, Kenneth Whipple, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CMS Energy Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003 By: /s/ Kenneth Whipple

Kenneth Whipple
Chairman of the Board and
Chief Executive Officer

CERTIFICATION OF THOMAS J. WEBB

I, Thomas J. Webb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CMS Energy Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003

By: /s/ Thomas J. Webb

Thomas J. Webb
Executive Vice President and
Chief Financial Officer

CERTIFICATION OF KENNETH WHIPPLE

I, Kenneth Whipple, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consumers Energy Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003

By: /s/ Kenneth Whipple

Kenneth Whipple
Chairman of the Board and
Chief Executive Officer

CERTIFICATION OF THOMAS J. WEBB

I, Thomas J. Webb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Consumers Energy Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003 By: /s/ Thomas J. Webb

Thomas J. Webb
Executive Vice President and
Chief Financial Officer

CERTIFICATION OF CHRISTOPHER A. HELMS

I, Christopher A. Helms, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Panhandle Eastern Pipe Line Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003

By: /s/ Christopher A. Helms

Christopher A. Helms
President and
Chief Executive Officer

CERTIFICATION OF THOMAS J. WEBB

I, Thomas J. Webb, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Panhandle Eastern Pipe Line Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operation and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 13, 2003

By: /s/ Thomas J. Webb

Thomas J. Webb
Executive Vice President and
Chief Financial Officer

EXHIBIT NUMBER	DESCRIPTION
(3)	By-Laws of Consumers Energy Company
(4)(a)	87th Supplemental Indenture, dated as of March 26, 2003 between Consumers Energy Company and JPMorgan Chase Bank as Trustee
(4)(b)	88th Supplemental Indenture, dated as of March 27, 2003 between Consumers Energy Company and JPMorgan Chase Bank as Trustee
(4)(c)	89th Supplemental Indenture, dated as of March 28, 2003 between Consumers Energy Company and JPMorgan Chase Bank as Trustee
(4)(d)	90th Supplemental Indenture, dated as of April 30, 2003, between Consumers Energy Company and JPMorgan Chase Bank as Trustee
(4)(e)	$140 million Term Loan Agreement dated March 26, 2003 between Consumers Energy Company and the Bank/Agent, as defined therein
(4)(f)	$250 million Revolving Credit Facility dated March 27, 2003 among Consumers Energy Company, the Banks, the Agent, and the Co-Documentation Agents, all as defined therein
(4)(g)	$150 million Term Loan Agreement dated March 28, 2003 among Consumers Energy Company, the Banks, and the Agent, all as defined therein
(4)(h)	$409 million Second Amended and Restated Credit Facility dated March 30, 2003 among CMS Energy Corporation, the Banks, and the Administrative Agent/Collateral Agent, all as defined therein
(4)(i)	$441 million Revolving Credit Facility dated March 30, 2003 among CMS Enterprises Company as Borrower, CMS Energy Corporation as the Loan Party, the Banks, and the Administrative Agent/Collateral Agent, all as defined therein
(4)(j)	$75 million Revolving Credit Facility dated April 21, 2003 among CMS Enterprises Company as Borrower, CMS Energy Corporation as the Loan Party, the Banks, and the Administrative Agent/Collateral Agent, all as defined therein
(10)(a)	Stock Purchase Agreement by and among CMS Gas Transmission Company, AIG Highstar Capital, L.P., AIG Highstar II Funding Corp., Southern Union Company and Southern Union Panhandle Corp. dated as of December 21, 2002 (Filed as Exhibit 10.1 to Form 8-K filed December 22, 2002)
(10)(b)	Amended and Restated Stock Purchase Agreement by and among CMS Gas Transmission Company, Southern Union Company and Southern Union Panhandle Corp. dated as of May 12, 2003
(10)(c)	Shareholder Agreement by and between CMS Gas Transmission Company and Southern Union Company dated as of May 12, 2003
(10)(d)	Amendment Agreement by and among CMS Gas Transmission Company, AIG Highstar Capital, L.P., AIG Highstar II Funding Corp., Southern Union Company and Southern Union Panhandle Corp. dated as of May 12, 2003
(12)	CMS Energy Statements regarding computation of Ratio of Earnings to Fixed Charges
(99)(a)	CMS Energy Corporation's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(99)(b)	Consumers Energy Company's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(99)(c)	Panhandle Eastern Pipe Line Corporation's certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

CONSUMERS ENERGY COMPANY

BYLAWS

ARTICLE I: LOCATION OF OFFICES

Section 1 - Registered Office: The registered office of Consumers Energy Company, (the "Company") shall be at such place in the City of Jackson, County of Jackson, Michigan, or elsewhere in the State of Michigan, as the Board of Directors may from time to time designate.

Section 2 - Other Offices: The Company may have and maintain other offices within or without the State of Michigan.

ARTICLE II: CORPORATE SEAL

Section 1 - Corporate Seal: The Company shall have a corporate seal bearing the name of the Company. The form of the corporate seal may be altered by the Board of Directors.

ARTICLE III: FISCAL YEAR

Section 1 - Fiscal Year: The fiscal year of the Company shall begin with the first day of January and end with the thirty-first day of December of each year.

ARTICLE IV: SHAREHOLDERS' MEETINGS

Section 1 - Annual Meetings: An annual meeting of the shareholders for election of Directors and for such other business as may come before the meeting shall be held at the registered office of the Company or at such other place within or without the State of Michigan, at 10:00 AM, Eastern Daylight Saving Time, or at such other time on the fourth Friday in May of each year or upon such other date as the Board of Directors may designate, but in no event shall such date be more than ninety (90) days after the fourth Friday in May.

Section 2 - Special Meetings: Special meetings of the shareholders may be called by the Board of Directors or by the Chairman of the Board. Such meetings shall be held at the registered office of the Company or at such other place within or without the State of Michigan as the Board of Directors may designate.

Section 3 - Notices: Except as otherwise provided by law, written notice of any meeting of the shareholders shall be given, either personally or by mail to each shareholder of record entitled to vote at such meeting, not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting, at their last known address as the same appears on the stock records of the Company. Written notice shall be considered given when deposited, with postage thereon prepaid, in a post office or official depository under the control of the United States postal service. Such notice shall specify the time and place of holding the meeting, the purpose or purposes for which such meeting is called, and the record date fixed for the determination of shareholders entitled to notice of and to vote at such meeting. The Board of Directors shall fix a record date for determining shareholders entitled to notice of and to vote at a meeting of shareholders, which record date shall not be more than sixty (60) days nor less than ten (10) days before the date of the meeting. Such record date shall apply to any adjournment of the meeting unless the Board of Directors shall fix a new record date for purposes of the adjourned meeting.

No notice of an adjourned meeting shall be necessary if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the adjourned meeting only such business may be transacted as might have been transacted at the original meeting. If, after an adjournment, the Board of Directors shall fix a new record date for the adjourned meeting, a notice of the adjourned meeting shall be mailed, in conformity with the provisions of the first paragraph of this Section 3, to each shareholder of record on the new record date entitled to vote at the adjourned meeting.

Section 4 - Quorum: Except as otherwise provided by law or by the Articles of Incorporation of the Company, the holders of the shares of stock of the Company entitled to cast a majority of the votes at a meeting shall constitute a quorum for the transaction of business at the meeting, but a lesser number may convene any meeting and, by a majority vote of the shares present at the meeting, may adjourn the same from time to time until a quorum shall be present.

Section 5 - Voting: Shareholders may vote at all meetings in person or by proxy, but all proxies shall be filed with the Secretary of the meeting before being voted upon.

The voting powers of the shares of Preferred Stock, Class A Preferred Stock, Preference Stock and Common Stock shall be as provided by law or set forth in the Articles of Incorporation of the Company.

Section 6 - Inspectors: In advance of any meeting of shareholders the Board of Directors shall appoint one or more inspectors to act at such meeting or any adjournment thereof. The inspectors shall have such powers and duties as are provided by law.

ARTICLE V: DIRECTORS

Section 1 - Number: The Board of Directors of the Company shall consist of not less than seven (7) nor more than seventeen (17) members, as fixed from time to time by resolution of the Board of Directors.

Section 2 - Election: The Directors shall be elected annually at the annual meeting of the shareholders or at any adjournment thereof.

Section 3 - Term of Office: Subject to the provisions of the Articles of Incorporation of the Company and unless otherwise provided by law, the Directors shall hold office from the date of their election until the next succeeding annual meeting and until their successors are elected and shall qualify.

Section 4 - Vacancies: Any vacancy or vacancies in the Board of Directors arising from any cause may be filled by the affirmative vote of a majority of the Directors then in office although less than a quorum. An increase in the number of members shall be construed as creating a vacancy.

ARTICLE VI: DIRECTORS' MEETINGS

Section 1 - Organization Meeting: As soon as possible after their election, the Board of Directors shall meet and organize and may also transact other business.

Section 2 - Other Meetings: Meetings of the Board of Directors may be held at any time upon call of the Secretary or an Assistant Secretary made at the direction of the Chairman of the Board, the President, a Vice Chairman, if any, or a Vice President.

Section 3 - Place of Meeting: All meetings of Directors shall be held at such place within or without the State of Michigan as may be designated in the call therefor.

Section 4 - Notice: A reasonable notice of all meetings, in writing or otherwise, shall be given to each Director or sent to the Director's residence or place of business; provided, however, that no notice shall be required for an organization meeting if held on the same day as the shareholders' meeting at which the Directors were elected.

No notice of the holding of an adjourned meeting shall be necessary.

Notice of all meetings shall specify the time and place of holding the meeting and unless otherwise stated any and all business may be transacted at any such meeting.

Notice of the time, place and purpose of any meeting may be waived in writing either before or after the holding thereof.

Section 5 - Quorum: At all meetings of the Board of Directors a majority of the Board then in office shall constitute a quorum but a majority of the Directors present may convene and adjourn any such meeting from time to time until a quorum shall be present; provided, that if the Board shall consist of ten (10) and not more than fifteen (15), then five (5) members shall constitute a quorum; and if the Board shall consist of more than fifteen (15), then seven (7) members shall constitute a quorum.

Section 6 - Voting: All questions coming before any meeting of the Board of Directors for action shall be decided by a majority vote of the Directors present at such meeting, unless otherwise provided by law, the Articles of Incorporation of the Company or by these Bylaws.

Section 7 - Participation by Communications Equipment: A Director or a member of a Committee designated by the Board of Directors may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting by such means shall constitute presence in person at the meeting.

Section 8 - Action Without Meeting: Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Board of Directors or a Committee thereof, may be taken without a meeting if, before or after the action, all members of the Board or of the Committee consent thereto in writing. The written consents shall be filed with the minutes of the proceedings of the Board or Committee, and the consents shall have the same effect as a vote of the Board or Committee for all purposes.

ARTICLE VII: EXECUTIVE AND OTHER COMMITTEES

Section 1 - Number and Qualifications: By resolution passed by a majority of the whole Board, the Board of Directors may from time to time designate one or more of their number to constitute an Executive or any other Committee of the Board, as the Board of Directors may from time to time determine to be desirable, and may fix the number of members and designate the Chairperson of each such Committee, except that the Audit Committee shall consist of not less than three outside members of the Board of Directors. Except as provided by law, the powers of each such Committee shall be as defined in the resolution or resolutions of the Board of Directors relating to the authorizations of such Committee, and may include, if such resolution or resolutions so provide, the power and

authority to declare a dividend or to authorize the issuance of shares of stock of the Company.

Section 2 - Appointment: The appointment of members of each such Committee, or other action respecting any Committee, may take place at any meeting of the Directors.

Section 3 - Term of Office: The members of each Committee shall hold office at the pleasure of the Board of Directors.

Section 4 - Vacancies: Any vacancy or vacancies in any such Committee arising from any cause shall be filled by resolution passed by a majority of the whole Board of Directors. By like vote the Board may designate one or more Directors to serve as alternate members of a Committee, who may replace an absent or disqualified member at a meeting of a Committee; provided, however, in the absence or disqualification of a member of a Committee, the members of the Committee present at a meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the Board of Directors to act in the place of the absent or disqualified member.

Section 5 - Minutes: Except as provided in Section 2 of Article X hereof or as otherwise determined by the Board of Directors, each such Committee shall make a written report or recommendation following its meetings or keep minutes of all its meetings.

Section 6 - Quorum: At all meetings of any duly authorized Committee of the Board of Directors, a majority of the members of such Committee shall constitute a quorum but a majority of the members present may convene and adjourn any such meeting from time to time until a quorum shall be present; provided, that with respect to any Committee of the Board other than the Executive Committee, if the membership of such Committee is four (4) or less, then two (2) members of such Committee shall constitute a quorum and one member may convene and adjourn any such meeting from time to time until a quorum shall be present.

ARTICLE VIII: OFFICERS

Section 1 - Election: The officers shall be chosen by the Board of Directors. The Company shall have a Chairman of the Board, a President, a Secretary and a Treasurer, and such other officers as the Board of Directors may from time to time determine, who shall have respectively such duties and authority as may be provided by these Bylaws or as may be provided by resolution of the Board of Directors not inconsistent herewith. Any two (2) or more of such offices may be held by the same person but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument is required by law, by the Articles of Incorporation of the Company or by these Bylaws to be executed, acknowledged or verified by two (2) or more officers.

Section 2 - Qualifications: The Chairman of the Board and Vice Chairman, if any, shall be chosen from among the Board of Directors, but the other officers need not be members of the Board.

Section 3 - Vacancies: Any vacancy or vacancies among the officers arising from any cause shall be filled by the Board of Directors. In case of the absence of any officer of the Company or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may delegate, for the time being, the powers or duties, or any of them, of any officer to any other officer or to any Director.

Section 4 - Term of Office: Each officer of the Company shall hold office until the officer's successor is chosen and qualified, or until

the officer's resignation or removal. Any officer appointed by the Board of Directors may be removed at any time by the Board of Directors with or without cause.

Section 5 - Compensation: The compensation of the officers shall be fixed by the Board of Directors.

ARTICLE IX: AGENTS

Section 1 - Resident Agent: The Company shall have and continuously maintain a resident agent, which may be either an individual resident in the State of Michigan whose business office is identical with the Company's registered office or a Michigan corporation or a foreign corporation authorized to transact business in Michigan and having a business office identical with the Company's registered office. The Board of Directors shall appoint the resident agent.

Section 2 - Other Agents: The Board of Directors may appoint such other agents as may in their judgment be necessary for the proper conduct of the business of the Company.

ARTICLE X: POWERS AND DUTIES

Section 1 - Directors: The business and affairs of the Company shall be managed by the Board of Directors which shall have and exercise all of the powers and authority of the Company except as otherwise provided by law, by the Articles of Incorporation of the Company or by these Bylaws.

Section 2 - Executive Committee: In the interim between meetings of the Board of Directors the Executive Committee shall have and exercise all the powers and authority of the Board of Directors except as otherwise provided by law. The Executive Committee shall meet from time to time on the call of the Chairman of the Board or the Chairman of the Committee. The Secretary shall keep minutes in sufficient detail to advise fully the Board of Directors of the actions taken by the Committee and shall submit copies of such minutes to the Board of Directors for its approval or other action at its next meeting.

Section 3 - Chairman of the Board: The Chairman of the Board shall preside at all meetings of Directors and shareholders; shall perform and do all acts and things incident to the position of Chairman of the Board; and shall perform such other duties as may be assigned from time to time by the Board of Directors or the Executive Committee.

Unless otherwise provided by the Board or the Executive Committee, the Chairman of the Board shall have full power and authority on behalf of the Company to execute any shareholder, member or partnership consents and to attend and act and to vote in person or by proxy at any meetings of shareholders, members or partners of any entity in which the Company may own stock or an interest and at any such meeting shall possess and may exercise any and all the rights and powers incident to the ownership of such stock or interest and which, as the owner thereof, the Company might have possessed and exercised if present. If the Chairman of the Board shall not exercise such powers, or in the absence or inability to act of the Chairman, the President may exercise such powers. In the absence or inability to act of the President, a Vice Chairman, if any, may exercise such powers. In the absence or inability to act of a Vice Chairman, any Vice President may exercise such powers. The Board of Directors or Executive Committee by resolution from time to time may confer like powers upon any other person or persons.

Section 4 - President: The President shall be the chief executive officer of the Company and, subject to the supervision of the Board of

Directors and of the Executive Committee, shall have general charge of the business and affairs of the Company; shall perform and do all acts and things incident to such position; and shall perform such other duties as may be assigned from time to time by the Board of Directors, the Executive Committee or the Chairman of the Board. In the absence of the Chairman of the Board and a Vice Chairman, the President shall preside at meetings of Directors. In the absence of the Chairman of the Board, the President shall preside at meetings of shareholders.

Section 5 - Vice Chairman: The Vice Chairman, if any, shall perform such of the duties of the Chairman of the Board or the President on behalf of the Company as may be respectively assigned from time to time by the Board of Directors, the Executive Committee, the Chairman of the Board or the President. In the absence of the Chairman of the Board, the Vice Chairman shall preside at meetings of Directors. In the absence of the Chairman of the Board and the President, the Vice Chairman shall preside at meetings of shareholders.

Section 6 - Vice Presidents: Vice Presidents, if any, shall perform such of the duties of the Chairman of the Board or the President or the Vice Chairman, if any, on behalf of the Company as may be respectively assigned from time to time by the Board of Directors, the Executive Committee, the Chairman of the Board or the President or a Vice Chairman. The Board of Directors or Executive Committee may designate one or more of the Vice Presidents as Executive Vice President or Senior Vice President.

Section 7 - Controller: Subject to the Board of Directors, the Executive Committee, the Chairman of the Board, the President and the Vice President having general charge of accounting, the Controller, if any, shall have charge of the supervision of the accounting system of the Company, including the preparation and filing of all tax returns and financial reports required by law to be made to any and all public authorities and officials; and shall perform such other duties as may be assigned, from time to time, by the Board of Directors, the Executive Committee, the Chairman of the Board, the President, a Vice Chairman, if any, or Vice President having general charge of accounting.

Section 8 - Treasurer: It shall be the duty of the Treasurer to have the care and custody of all the funds and securities, including the investment thereof, of the Company which may come into the Treasurer's hands, and to endorse checks, drafts and other instruments for the payment of money for deposit or collection when necessary or proper and to deposit the same to the credit of the Company in such bank or banks or depository as the Treasurer may designate, and the Treasurer may endorse all commercial documents requiring endorsements for or on behalf of the Company. The Treasurer may sign all receipts and vouchers for the payments made to the Company; shall render an account of transactions to the Board of Directors or the Executive Committee as often as the Board or the Committee shall require; and shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors, the Executive Committee, the Chairman of the Board, the President and a Vice Chairman, if any.

Section 9 - Secretary: The Secretary shall act as custodian of and record the minutes of all meetings of the Board of Directors, of the Executive Committee, of the shareholders and of any Committees of the Board of Directors which keep formal minutes; shall attend to the giving and serving of all notices of the Company; shall prepare or cause to be prepared the list of shareholders required to be produced at any meeting; shall attest the seal of the Company upon all contracts and instruments executed under such seal and shall affix or cause to be affixed the seal of the Company thereto and to all certificates of shares of the capital

stock; shall have charge of the stock records of the Company and such other books and papers as the Board of Directors, the Executive Committee, the Chairman of the Board, the President or a Vice Chairman, if any, may direct; and shall, in general, perform all the duties of Secretary, subject to the control of the Board of Directors, the Executive Committee, the Chairman of the Board, the President and a Vice Chairman, if any.

Section 10 - General Counsel: The General Counsel, if any, shall have charge of all matters of a legal nature involving the Company.

Section 11 - Assistant Controllers, Assistant Secretaries and Assistant Treasurers: An Assistant Controller, an Assistant Secretary or an Assistant Treasurer, if any, shall, in the absence or inability to act or at the request of the Controller, Secretary or Treasurer, respectively, perform the duties of the Controller or Secretary or Treasurer, respectively, and shall perform such other duties as may from time to time be assigned by the Board of Directors, the Executive Committee, the Chairman of the Board, the President or a Vice Chairman, if any. The performance of any such duty shall be conclusive evidence of their right to act.

Section 12 - Principal Financial Officer and Principal Accounting Officer: The Board of Directors or the Executive Committee may from time to time designate officers of the Company to be the Principal Financial Officer and the Principal Accounting Officer of the Company.

ARTICLE XI: STOCK

Section 1 - Stock Certificates: The shares of stock of the Company shall be represented by certificates which shall be numbered and shall be entered on the stock records of the Company and registered as they are issued. Each certificate shall state on its face that the Company is formed under the laws of Michigan, the name of the person or persons to whom issued, the number and class of shares and the designation of the series the certificate represents, and the par value of each share represented by the certificate; shall be signed by the Chairman of the Board or a Vice Chairman or the President or one of the Vice Presidents and also may be signed by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary; and shall be sealed with the seal of the Company or a facsimile thereof. When such certificates are countersigned by a transfer agent or registered by a registrar, the signatures of any such Chairman of the Board, Vice Chairman, President, Vice President, Treasurer, Assistant Treasurer, Secretary or Assistant Secretary may be facsimiles. In case any officer, who shall have signed or whose facsimile signature shall have been placed on any such certificate, shall cease to be such officer of the Company before such certificate shall have been issued by the Company, such certificate may nevertheless be issued by the Company with the same effect as if the person, who signed such certificate or whose facsimile signature shall have been placed thereon, were such officer of the Company at the date of issue.

Each certificate shall set forth on its face or back or state that the Company will furnish to a shareholder upon request and without charge a full statement of the designations, relative rights, preferences and limitations of the shares of stock of each class authorized to be issued and of each series so far as the same have been prescribed and the authority of the Board of Directors to designate and prescribe the relative rights, preferences and limitations of other series.

Section 2 - Stock Records: The shares of stock of the Company shall be transferable on the stock records of the Company in person or by proxy duly authorized and upon surrender and cancellation of the old certificates therefor.

The Board of Directors may fix a date preceding the date fixed for any meeting of the shareholders or any dividend payment date or the date for the allotment of rights or the date when any change, conversion or exchange of stock shall go into effect or the date for any other action, as the record date for the determination of the shareholders entitled to notice of and to vote at such meeting or to receive payment of such dividend or to receive such allotment of rights or to exercise such rights in respect of any such change, conversion or exchange of stock or to take such other action, as the case may be, notwithstanding any transfer of shares on the records of the Company or otherwise after any such record date fixed as aforesaid. The record date so fixed by the Board shall not be more than sixty (60) nor less than ten (10) days before the date of the meeting of the shareholders, nor more than sixty (60) days before any other action. If the Board of Directors does not fix a date of record, as aforesaid, the record date shall be as provided by law.

Section 3 - Stock - Preferred, Class A Preferred, Preference and Common: The Preferred Stock, Class A Preferred Stock, Preference Stock and Common Stock of the Company shall consist of shares having a par value of $100, no par value, $1 and $10 per share, respectively.

The designations, relative rights, preferences, limitations and voting powers, or restrictions, or qualifications of the shares of Preferred Stock, Class A Preferred Stock, Preference Stock and Common Stock shall be as set forth in the Articles of Incorporation of the Company.

Section 4 - Replacing Certificates: In case of the alleged loss, theft or destruction of any certificate of shares of stock and the submission of proper proof thereof, a new certificate may be issued in lieu thereof upon delivery to the Company by the owner or the owner's legal representative of a bond of indemnity against any claim that may be made against the Company on account of such alleged lost, stolen or destroyed certificate or such issuance of a new certificate.

ARTICLE XII: AUTHORIZED SIGNATURES

Section 1 - Authorized Signatures: All checks, drafts and other negotiable instruments issued by the Company shall be made in the name of the Company and shall be signed manually or signed by facsimile signature by such one of the officers of the Company or such other person as the Chairman of the Board, the Vice Chairman of the Board, President or the Treasurer may from time to time designate.

ARTICLE XIII: INSURANCE

Section 1 - Insurance: The Company may purchase and maintain liability insurance, to the full extent permitted by law, on behalf of any person who is or was a director, officer, employee or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity.

ARTICLE XIV: AMENDMENTS OF BYLAWS

Section 1 - Amendments, How Effected: These Bylaws may be amended or repealed, or new Bylaws may be adopted, either by the majority vote of the votes cast by the shareholders entitled to vote thereon or by the majority vote of the Directors then in office at any meeting of the Directors.

Amended and Restated
May 25, 2001

EXHIBIT 4(a)

EIGHTY-SEVENTH SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR

FIRST MORTGAGE BONDS,

COLLATERAL SERIES DUE 2009

DATED AS OF MARCH 26, 2003

CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,

TRUSTEE

Counterpart _____ of 80

THIS EIGHTY-SEVENTH SUPPLEMENTAL INDENTURE, dated as of March 26, 2003 (herein sometimes referred to as "this Supplemental Indenture"), made and entered into by and between CONSUMERS ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan, with its principal executive office and place of business at 212 West Michigan Avenue, in Jackson, Jackson County, Michigan 49201, formerly known as Consumers Power Company (hereinafter sometimes referred to as the "Company"), and JPMORGAN CHASE BANK, a corporation organized and existing under the laws of the State of New York, with its corporate trust offices at 450 W. 33rd Street, in the Borough of Manhattan, The City of New York, New York 10001 (hereinafter sometimes referred to as the "Trustee"), as Trustee under the Indenture dated as of September 1, 1945 between Consumers Power Company, a Maine corporation (hereinafter sometimes referred to as the "Maine corporation"), and City Bank Farmers Trust Company (Citibank, N.A., successor, hereinafter sometimes referred to as the "Predecessor Trustee"), securing bonds issued and to be issued as provided therein (hereinafter sometimes referred to as the "Indenture"),

WHEREAS at the close of business on January 30, 1959, City Bank Farmers Trust Company was converted into a national banking association under the title "First National City Trust Company"; and

WHEREAS at the close of business on January 15, 1963, First National City Trust Company was merged into First National City Bank; and

WHEREAS at the close of business on October 31, 1968, First National City Bank was merged into The City Bank of New York, National Association, the name of which was thereupon changed to First National City Bank; and

WHEREAS effective March 1, 1976, the name of First National City Bank was changed to Citibank, N.A.; and

WHEREAS effective July 16, 1984, Manufacturers Hanover Trust Company succeeded Citibank, N.A. as Trustee under the Indenture; and

WHEREAS effective June 19, 1992, Chemical Bank succeeded by merger to Manufacturers Hanover Trust Company as Trustee under the Indenture; and

WHEREAS effective July 15, 1996, The Chase Manhattan Bank (National Association), merged with and into Chemical Bank which thereafter was renamed The Chase Manhattan Bank; and

WHEREAS effective November 11, 2001, The Chase Manhattan Bank merged with Morgan Guaranty Trust Company of New York and the surviving corporation was renamed JPMorgan Chase Bank; and

WHEREAS the Indenture was executed and delivered for the purpose of securing such bonds as may from time to time be issued under and in accordance with the terms of the Indenture, the aggregate principal amount of bonds to be secured thereby being limited to $5,000,000,000 at any one time outstanding (except as provided in Section 2.01 of the Indenture), and the Indenture describes and sets forth the property conveyed thereby and is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of

the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Indenture has been supplemented and amended by various indentures supplemental thereto, each of which is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Company and the Maine corporation entered into an Agreement of Merger and Consolidation, dated as of February 14, 1968, which provided for the Maine corporation to merge into the Company; and

WHEREAS the effective date of such Agreement of Merger and Consolidation was June 6, 1968, upon which date the Maine corporation was merged into the Company and the name of the Company was changed from "Consumers Power Company of Michigan" to "Consumers Power Company"; and

WHEREAS the Company and the Predecessor Trustee entered into a Sixteenth Supplemental Indenture, dated as of June 4, 1968, which provided, among other things, for the assumption of the Indenture by the Company; and

WHEREAS said Sixteenth Supplemental Indenture became effective on the effective date of such Agreement of Merger and Consolidation; and

WHEREAS the Company has succeeded to and has been substituted for the Maine corporation under the Indenture with the same effect as if it had been named therein as the mortgagor corporation; and

WHEREAS effective March 11, 1997, the name of Consumers Power Company was changed to Consumers Energy Company; and

WHEREAS, the Company has entered into a Term Loan Agreement dated as of March 26, 2003 (the "Term Loan Agreement") with Beal Bank, S.S.B. (the "Bank") as administrative agent (in such capacity, the "Agent") for the Banks (as such term is defined in the Term Loan Agreement) providing for the making of certain financial accommodations thereunder, and pursuant to such Term Loan Agreement the Company has agreed to issue to the Agent, as evidence of and security for the Obligations (as such term is defined in the Term Loan Agreement), a new series of bonds under the Indenture; and

WHEREAS, for such purposes the Company desires to issue a new series of bonds, to be designated First Mortgage Bonds, Collateral Series due 2009, each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2009 Collateral Series Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified herein and are to mature March 26, 2009; and

WHEREAS, each of the registered bonds without coupons of the 2009 Collateral Series Bonds and the Trustee's Authentication Certificate thereon are to be substantially in the following form, to wit:

[FORM OF REGISTERED BOND OF THE 2009 COLLATERAL SERIES BONDS]

[FACE]

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
COLLATERAL SERIES DUE 2009

No. 1 $140,000,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Beal Bank, S.S.B., as agent (in such capacity, the "Agent") for the Banks under and as defined in the Term Loan Agreement dated as of March 26, 2003 (the "Term Loan Agreement") the principal sum of One Hundred Forty Million Dollars ($140,000,000) or such lesser principal amount as shall be equal to the aggregate principal amount of the Term Loans (as defined in the Term Loan Agreement) included in the Obligations (as defined in the Term Loan Agreement) outstanding on March 26, 2009 (the "Maturity Date"), but not in excess, however, of the principal amount of this bond, and to pay interest thereon at the Interest Rate (as defined below) until the principal hereof is paid or duly made available for payment on the Maturity Date, or, in the event of redemption of this bond, until the redemption date, or, in the event of default in the payment of the principal hereof, until the Company's obligations with respect to the payment of such principal shall be discharged as provided in the Indenture (as defined on the reverse hereof). Interest on this bond shall be payable on each Interest Payment Date (as defined below), commencing on the first Interest Payment Date next succeeding March 26, 2003. If the Maturity Date falls on a day which is not a Business Day, as defined below, principal and any interest and/or fees payable with respect to the Maturity Date will be paid on the immediately preceding Business Day. The interest payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the person in whose name this bond (or one or more predecessor bonds) is registered at the close of business on the Record Date (as defined below); provided, however, that interest payable on the Maturity Date will be payable to the person to whom the principal hereof shall be payable. Should the Company default in the payment of interest ("Defaulted Interest"), the Defaulted Interest shall be paid to the person in whose name this bond (or one or more predecessor bonds) is registered on a subsequent record date fixed by the Company, which subsequent record date shall be fifteen (15) days prior to the payment of such Defaulted Interest. As used herein, (A) "Business Day" shall mean any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York and Dallas, Texas for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system; (B) "Interest Payment Date" shall mean each date on which interest and/or fees under the Term Loan Agreement are due and payable from time to time pursuant to the Term Loan Agreement; (C) "Interest Rate" shall mean a rate of interest per annum, adjusted as necessary, to result in an interest payment equal to the aggregate amount of interest and fees due under the Term Loan Agreement on the applicable Interest Payment Date; and (D) "Record Date" with respect to any Interest Payment Date shall mean the day (whether or not a Business Day) immediately next preceding such Interest Payment Date.

Payment of the principal of and interest on this bond will be made in immediately available funds at the office or agency of the Company maintained for that purpose in the City of Jackson, Michigan, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By: ________________________________
Printed: ___________________________
Title: _____________________________

Attest: _________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By_________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
COLLATERAL SERIES DUE 2009

This bond is one of the bonds of a series designated as First Mortgage Bonds, Collateral Series due 2009 (sometimes herein referred to as the "2009 Collateral Series Bonds") issued under and in accordance with and secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2009 Collateral Series Bonds are to be issued and delivered to the Agent in order to evidence and secure the obligation of the Company under the Term Loan Agreement to make payments to the Banks under the Term Loan Agreement and to provide the Banks the benefit of the lien of the Indenture with respect to the 2009 Collateral Series Bonds.

The obligation of the Company to make payments with respect to the principal of the 2009 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the principal of the Term Loans, a corresponding payment obligation with respect to the principal of the 2009 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The obligation of the Company to make payments with respect to the interest on the 2009 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due interest and/or fees on the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the interest and/or fees on the Term Loans, a corresponding payment obligation with respect to the interest on the 2009 Collateral Series

Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on this bond, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2009 Collateral Series Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Term Loan Agreement, and (iii) the amount of the arrearage.

If an Event of Default (as defined in the Term Loan Agreement) with respect to the payment of the principal of any Term Loans shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the principal of the 2009 Collateral Series Bonds equal to the amount of such unpaid principal (but in no event in excess of the principal amount of the 2009 Collateral Series Bonds). If an Event of Default (as defined in the Term Loan Agreement) with respect to the payment of interest on any Term Loans or fees shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the interest on the 2009 Collateral Series Bonds equal to the amount of such unpaid interest or fees.

This bond is not redeemable except upon written demand of the Agent following the occurrence of an Event of Default under the Term Loan Agreement and the acceleration of the Obligations, as provided in Section 9.2 of the Term Loan Agreement. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2009 Collateral Series Bonds or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

The Agent shall surrender this bond to the Trustee when all of the principal of and interest on the Term Loans arising under the Term Loan Agreement, and all of the fees payable pursuant to the Term Loan Agreement, shall have been duly paid, and the Term Loan Agreement shall have been terminated.

[END OF FORM OF REGISTERED BOND OF THE 2009 COLLATERAL SERIES BONDS]

AND WHEREAS all acts and things necessary to make the 2009 Collateral Series Bonds, when duly executed by the Company and authenticated by the Trustee or its agent and issued as prescribed in the Indenture, as heretofore supplemented and amended, and this Supplemental Indenture provided, the valid, binding and legal obligations of the Company, and to constitute the Indenture, as supplemented and amended as aforesaid, as well as by this Supplemental Indenture, a valid, binding and legal instrument for the security thereof, have been done and performed, and the creation, execution and delivery of this Supplemental Indenture and the creation, execution and issuance of bonds subject to the terms hereof and of the Indenture, as so supplemented and amended, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, of the acceptance and purchase by the holders thereof of the bonds issued and to be issued under the Indenture, as supplemented and amended as above set forth, and of the sum of One Dollar duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and premium, if any, and interest on all bonds now outstanding under the Indenture and the $140,000,000 principal amount of the 2009 Collateral Series Bonds proposed to be issued initially and all other bonds which shall be issued under the Indenture, as supplemented and amended from time to time, and for the purpose of securing the faithful performance and observance of all covenants and conditions therein, and in any indenture supplemental thereto, set forth, the Company has given, granted, bargained, sold, released, transferred, assigned, hypothecated, pledged, mortgaged, confirmed, set over, warranted, alienated and conveyed and by these presents does give, grant, bargain, sell, release, transfer, assign, hypothecate, pledge, mortgage, confirm, set over, warrant, alien and convey unto JPMorgan Chase Bank, as Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created and to its or their assigns forever, all the right, title and interest of the Company in and to all the property, described in Section 11 hereof, together (subject to the provisions of Article X of the Indenture) with the tolls, rents, revenues, issues, earnings, income, products and profits thereof, excepting, however, the property, interests and rights specifically excepted from the lien of the Indenture as set forth in the Indenture;

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the premises, property, franchises and rights, or any thereof, referred to in the foregoing granting clause, with the reversion and reversions, remainder and remainders and (subject to the provisions of Article X of the Indenture) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, franchises and rights and every part and parcel thereof;

SUBJECT, HOWEVER, with respect to such premises, property, franchises and rights, to excepted encumbrances as said term is defined in Section 1.02 of the Indenture, and subject also to all defects and limitations of title and to all encumbrances existing at the time of acquisition. TO HAVE AND TO HOLD all said premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale for the equal and proportionate benefit and security of the holders of all bonds now or hereafter authenticated and delivered under and secured by the Indenture and interest coupons appurtenant thereto, pursuant to the provisions of the Indenture and of any supplemental indenture, and for the enforcement of the payment of said bonds and coupons when payable and the performance of and compliance with the covenants and conditions of the Indenture and of any supplemental indenture, without any preference, distinction or priority as to lien or otherwise of any bond or bonds over others by reason of the difference in time of the actual authentication, delivery, issue, sale or negotiation thereof or for any other reason whatsoever, except as otherwise expressly provided in the Indenture; and so that each and every bond now or hereafter authenticated and delivered thereunder shall have the same lien, and so that the principal of and premium, if any, and interest on every such bond shall, subject to the terms thereof, be equally and proportionately secured, as if it had been made, executed, authenticated, delivered, sold and negotiated simultaneously with the execution and delivery thereof;

AND IT IS EXPRESSLY DECLARED by the Company that all bonds authenticated and delivered under and secured by the Indenture, as supplemented and amended as above set forth, are to be issued, authenticated and delivered, and all said premises, property, franchises and rights hereby and by the Indenture and indentures supplemental thereto conveyed, assigned, pledged or mortgaged, or intended so to be, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in the Indenture, as supplemented and amended as above set forth, and the parties hereto mutually agree as follows:

SECTION 1. There is hereby created one series of bonds (the "2009 Collateral Series Bonds") designated as hereinabove provided, which shall also bear the descriptive title "First Mortgage Bond", and the form thereof shall be substantially as hereinbefore set forth (the "Sample Bond"). The 2009 Collateral Series Bonds shall be issued in the aggregate principal amount of $140,000,000, shall mature on March 26, 2009 and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The serial numbers of the 2009 Collateral Series Bonds shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2009 Collateral Series Bonds are to be issued to and registered in the name of the Agent under the Term Loan Agreement (as such terms are defined in the Sample Bond) to evidence and secure any and all Obligations (as such term is defined in the Term Loan Agreement) of the Company under the Term Loan Agreement.

The 2009 Collateral Series Bonds shall bear interest as set forth in the Sample Bond. The principal of and the interest on said bonds shall be payable as set forth in the Sample Bond.

The obligation of the Company to make payments with respect to the principal of 2009 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the principal of the Term Loans, a corresponding payment obligation with respect to the principal of the 2009 Collateral Series Bonds shall be deemed discharged in the

same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The obligation of the Company to make payments with respect to the interest on 2009 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due interest and/or fees on the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the interest and/or fees on the Term Loans, a corresponding payment obligation with respect to the interest on the 2009 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on the 2009 Collateral Series Bonds, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2009 Collateral Series Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Term Loan Agreement, and (iii) the amount of the arrearage.

The 2009 Collateral Series Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 2. The 2009 Collateral Series Bonds are not redeemable by the operation of the maintenance and replacement provisions of this Indenture or with the proceeds of released property.

SECTION 3. Upon the occurrence of an Event of Default under the Term Loan Agreement and the acceleration of the Obligations, the 2009 Collateral Series Bonds shall be redeemable in whole upon receipt by the Trustee of a written demand from the Agent stating that there has occurred under the Term Loan Agreement both an Event of Default and a declaration of acceleration of the Obligations and demanding redemption of the 2009 Collateral Series Bonds (including a description of the amount of principal, interest and fees which comprise such Obligations). The Company waives any right it may have to prior notice of such redemption under the Indenture. Upon surrender of the 2009 Collateral Series Bonds by the Agent to the Trustee, the 2009 Collateral Series Bonds shall be redeemed at a redemption price equal to the aggregate amount of the Obligations.

SECTION 4. The Company reserves the right, without any consent, vote or other action by the holder of the 2009 Collateral Series Bonds or of any subsequent series of bonds issued under the Indenture, to make such amendments to the Indenture, as supplemented, as shall be necessary in order to amend Section 17.02 to read as follows:

SECTION 17.02. With the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding or their attorneys-in-fact duly authorized, or, if fewer than all series are affected, not less than a majority in principal amount of the bonds at the time outstanding of each series the rights of the holders of which are affected, voting together, the Company, when authorized by a resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or modifying the rights and obligations of the Company and the rights of the holders of any of the bonds and coupons; provided, however, that no such supplemental indenture shall (1) extend the maturity of any of the bonds or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected, or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the bonds then outstanding, or (3) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the bonds then outstanding. For the purposes of this Section, bonds shall be deemed to be affected by a supplemental indenture if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against its property. The Trustee may in its discretion determine whether or not, in accordance with the foregoing, bonds of any particular series would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of bonds of such series and all other series. Subject to the provisions of Sections 16.02 and 16.03 hereof, the Trustee shall not be liable for any determination made in good faith in connection herewith.

Upon the written request of the Company, accompanied by a resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of bondholders as aforesaid (the instrument or instruments evidencing such consent to be dated within one year of such request), the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Company and the Trustee, if they so elect, and either before or after such consent has been obtained, may require the holder of any bond consenting to the execution of any such supplemental indenture to submit his bond to the Trustee or to ask such bank, banker or trust company as may be designated by the Trustee

for the purpose, for the notation thereon of the fact that the holder of such bond has consented to the execution of such supplemental indenture, and in such case such notation, in form satisfactory to the Trustee, shall be made upon all bonds so submitted, and such bonds bearing such notation shall forthwith be returned to the persons entitled thereto.

Prior to the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in one daily newspaper of general circulation in each city in which the principal of any of the bonds shall be payable, or, if all bonds outstanding shall be registered bonds without coupons or coupon bonds registered as to principal, such notice shall be sufficiently given if mailed, first class, postage prepaid, and registered if the Company so elects, to each registered holder of bonds at the last address of such holder appearing on the registry books, such publication or mailing, as the case may be, to be made not less than thirty days prior to such execution. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 5. As supplemented and amended as above set forth, the Indenture is in all respects ratified and confirmed, and the Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 6. Nothing contained in this Supplemental Indenture shall, or shall be construed to, confer upon any person other than a holder of bonds issued under the Indenture, as supplemented and amended as above set forth, the Company, the Trustee and the Agent, for the benefit of the Banks (as such term is defined in the Term Loan Agreement), any right or interest to avail himself of any benefit under any provision of the Indenture, as so supplemented and amended.

SECTION 7. The Trustee assumes no responsibility for or in respect of the validity or sufficiency of this Supplemental Indenture or of the Indenture as hereby supplemented or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein (other than those contained in the sixth, seventh and eighth recitals hereof), all of which recitals and statements are made solely by the Company.

SECTION 8. This Supplemental Indenture may be simultaneously executed in several counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

SECTION 9. In the event the date of any notice required or permitted hereunder shall not be a Business Day, then (notwithstanding any other provision of the Indenture or of any supplemental indenture thereto) such notice need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for such notice. "Business Day" means, with respect to this Section 9, any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York and Dallas,

Texas for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system.

SECTION 10. This Supplemental Indenture and the 2009 Collateral Series Bonds shall be governed by and deemed to be a contract under, and construed in accordance with, the laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

SECTION 11. Detailed Description of Property Mortgaged:

I.

ELECTRIC GENERATING PLANTS AND DAMS

All the electric generating plants and stations of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including all powerhouses, buildings, reservoirs, dams, pipelines, flumes, structures and works and the land on which the same are situated and all water rights and all other lands and easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such plants and stations or any of them, or adjacent thereto.

II.

ELECTRIC TRANSMISSION LINES

All the electric transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including towers, poles, pole lines, wires, switches, switch racks, switchboards, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation. Also all the real property, rights of way, easements, permits, privileges and rights for or relating to the construction, maintenance or operation of certain transmission lines, the land and rights for which are owned by the Company, which are either not built or now being constructed.

III.

ELECTRIC DISTRIBUTION SYSTEMS

All the electric distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including substations, transformers, switchboards,

towers, poles, wires, insulators, subways, trenches, conduits, manholes, cables, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IV.

ELECTRIC SUBSTATIONS, SWITCHING STATIONS AND SITES

All the substations, switching stations and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for transforming, regulating, converting or distributing or otherwise controlling electric current at any of its plants and elsewhere, together with all buildings, transformers, wires, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such substations and switching stations, or adjacent thereto, with sites to be used for such purposes.

V.

GAS COMPRESSOR STATIONS, GAS PROCESSING PLANTS, DESULPHURIZATION STATIONS, METERING STATIONS, ODORIZING STATIONS, REGULATORS AND SITES

All the compressor stations, processing plants, desulphurization stations, metering stations, odorizing stations, regulators and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for compressing, processing, desulphurizing, metering, odorizing and regulating manufactured or natural gas at any of its plants and elsewhere, together with all buildings, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such purposes, with sites to be used for such purposes.

VI.

GAS STORAGE FIELDS

The natural gas rights and interests of the Company, including wells and well lines (but not including natural gas, oil and minerals), the gas gathering system, the underground gas storage rights, the underground gas storage wells and injection and withdrawal system used in connection therewith, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture: In the Overisel Gas Storage Field, located in the Township of Overisel, Allegan County, and in the Township of Zeeland, Ottawa County, Michigan; in the Northville Gas Storage Field located

in the Township of Salem, Washtenaw County, Township of Lyon, Oakland County, and the Townships of Northville and Plymouth and City of Plymouth, Wayne County, Michigan; in the Salem Gas Storage Field, located in the Township of Salem, Allegan County, and in the Township of Jamestown, Ottawa County, Michigan; in the Ray Gas Storage Field, located in the Townships of Ray and Armada, Macomb County, Michigan; in the Lenox Gas Storage Field, located in the Townships of Lenox and Chesterfield, Macomb County, Michigan; in the Ira Gas Storage Field, located in the Township of Ira, St. Clair County, Michigan; in the Puttygut Gas Storage Field, located in the Township of Casco, St. Clair County, Michigan; in the Four Corners Gas Storage Field, located in the Townships of Casco, China, Cottrellville and Ira, St. Clair County, Michigan; in the Swan Creek Gas Storage Field, located in the Township of Casco and Ira, St. Clair County, Michigan; and in the Hessen Gas Storage Field, located in the Townships of Casco and Columbus, St. Clair, Michigan.

VII.

GAS TRANSMISSION LINES

All the gas transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including gas mains, pipes, pipelines, gates, valves, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, right of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

VIII.

GAS DISTRIBUTION SYSTEMS

All the gas distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including tunnels, conduits, gas mains and pipes, service pipes, fittings, gates, valves, connections, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IX.

OFFICE BUILDINGS, SERVICE BUILDINGS, GARAGES, ETC.

All office, garage, service and other buildings of the Company, wherever located, in the State of Michigan, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, together with the land on which the same are situated and all easements, rights of way and appurtenances to said lands, together with all furniture and fixtures located in said buildings.

X.

TELEPHONE PROPERTIES AND
RADIO COMMUNICATION EQUIPMENT

All telephone lines, switchboards, systems and equipment of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, used or available for use in the operation of its properties, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such telephone properties or any of them or adjacent thereto; together with all real estate, rights of way, easements, permits, privileges, franchises, property, devices or rights related to the dispatch, transmission, reception or reproduction of messages, communications, intelligence, signals, light, vision or sound by electricity, wire or otherwise, including all telephone equipment installed in buildings used as general and regional offices, substations and generating stations and all telephone lines erected on towers and poles; and all radio communication equipment of the Company, together with all property, real or personal (except any in the Indenture expressly excepted), fixed stations, towers, auxiliary radio buildings and equipment, and all appurtenances used in connection therewith, wherever located, in the State of Michigan.

XI.

OTHER REAL PROPERTY

All other real property of the Company and all interests therein, of every nature and description (except any in the Indenture expressly excepted) wherever located, in the State of Michigan, acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture. Such real property includes but is not limited to the following described property, such property is subject to any interests that were excepted or reserved in the conveyance to the Company:

ALCONA COUNTY

Certain land in Caledonia Township, Alcona County, Michigan described as:

The East 330 feet of the South 660 feet of the SW 1/4 of the SW 1/4 of Section 8, T28N, R8E, except the West 264 feet of the South 330 feet thereof; said land being more particularly described as follows: To find the place of

beginning of this description, commence at the Southwest corner of said section, run thence East along the South line of said section 1243 feet to the place of beginning of this description, thence continuing East along said South line of said section 66 feet to the West 1/8 line of said section, thence N 02 degrees 09' 30" E along the said West 1/8 line of said section 660 feet, thence West 330 feet, thence S 02 degrees 09' 30" W, 330 feet, thence East 264 feet, thence S 02 degrees 09' 30" W, 330 feet to the place of beginning.

ALLEGAN COUNTY

Certain land in Lee Township, Allegan County, Michigan described as:

The NE 1/4 of the NW 1/4 of Section 16, T1N, R15W.

ALPENA COUNTY

Certain land in Wilson and Green Townships, Alpena County, Michigan described as:

All that part of the S'ly 1/2 of the former Boyne City-Gaylord and Alpena Railroad right of way, being the Southerly 50 feet of a 100 foot strip of land formerly occupied by said Railroad, running from the East line of Section 31, T31N, R7E, Southwesterly across said Section 31 and Sections 5 and 6 of T30N, R7E and Sections 10, 11 and the E 1/2 of Section 9, except the West 1646 feet thereof, all in T30N, R6E.

ANTRIM COUNTY

Certain land in Mancelona Township, Antrim County, Michigan described as:

The S 1/2 of the NE 1/4 of Section 33, T29N, R6W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the State of Michigan to August W. Schack and Emma H. Schack, his wife, dated April 15, 1946 and recorded May 20, 1946 in Liber 97 of Deeds on page 682 of Antrim County Records.

ARENAC COUNTY

Certain land in Standish Township, Arenac County, Michigan described as:

A parcel of land in the SW 1/4 of the NW 1/4 of Section 12, T18N, R4E, described as follows: To find the place of beginning of said parcel of land, commence at the Northwest corner of Section 12, T18N, R4E; run thence South along the West line of said section, said West line of said section being also the center line of East City Limits Road 2642.15 feet to the W 1/4 post of said section and the place of beginning of said parcel of land; running thence N 88 degrees 26' 00" E along the East and West 1/4 line of said section, 660.0 feet; thence North parallel with the West line of said section, 310.0 feet; thence S 88 degrees 26' 00"

W, 330.0 feet; thence South parallel with the West line of said section, 260.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet to the West line of said section and the center line of East City Limits Road; thence South along the said West line of said section, 50.0 feet to the place of beginning.

BARRY COUNTY

Certain land in Johnstown Township, Barry County, Michigan described as:

A strip of land 311 feet in width across the SW 1/4 of the NE 1/4 of Section 31, T1N, R8W, described as follows: To find the place of beginning of this description, commence at the E 1/4 post of said section; run thence N 00 degrees 55' 00" E along the East line of said section, 555.84 feet; thence N 59 degrees 36' 20" W, 1375.64 feet; thence N 88 degrees 30' 00" W, 130 feet to a point on the East 1/8 line of said section and the place of beginning of this description; thence continuing N 88 degrees 30' 00" W, 1327.46 feet to the North and South 1/4 line of said section; thence S 00 degrees 39'35" W along said North and South 1/4 line of said section, 311.03 feet to a point, which said point is 952.72 feet distant N'ly from the East and West 1/4 line of said section as measured along said North and South 1/4 line of said section; thence S 88 degrees 30' 00" E, 1326.76 feet to the East 1/8 line of said section; thence N 00 degrees 47' 20" E along said East 1/8 line of said section, 311.02 feet to the place of beginning.

BAY COUNTY

Certain land in Frankenlust Township, Bay County, Michigan described as:

The South 250 feet of the N 1/2 of the W 1/2 of the W 1/2 of the SE 1/4 of Section 9, T13N, R4E.

BENZIE COUNTY

Certain land in Benzonia Township, Benzie County, Michigan described as:

A parcel of land in the Northeast 1/4 of Section 7, Township 26 North, Range 14 West, described as beginning at a point on the East line of said Section 7, said point being 320 feet North measured along the East line of said section from the East 1/4 post; running thence West 165 feet; thence North parallel with the East line of said section 165 feet; thence East 165 feet to the East line of said section; thence South 165 feet to the place of beginning.

BRANCH COUNTY

Certain land in Girard Township, Branch County, Michigan described as:

A parcel of land in the NE 1/4 of Section 23 T5S, R6W, described a beginning at a point on the North and South quarter line of said section at a point

1278.27 feet distant South of the North quarter post of said section, said distance being measured along the North and South quarter line of said section, running thence S89 degrees21'E 250 feet, thence North along a line parallel with the said North and South quarter line of said section 200 feet, thence N89 degrees21'W 250 feet to the North and South quarter line of said section, thence South along said North and South quarter line of said section 200 feet to the place of beginning.

CALHOUN COUNTY

Certain land in Convis Township, Calhoun County, Michigan described as:

A parcel of land in the SE 1/4 of the SE 1/4 of Section 32, T1S, R6W, described as follows: To find the place of beginning of this description, commence at the Southeast corner of said section; run thence North along the East line of said section 1034.32 feet to the place of beginning of this description; running thence N 89 degrees 39' 52" W, 333.0 feet; thence North 290.0 feet to the South 1/8 line of said section; thence S 89 degrees 39' 52" E along said South 1/8 line of said section 333.0 feet to the East line of said section; thence South along said East line of said section 290.0 feet to the place of beginning. (Bearings are based on the East line of Section 32, T1S, R6W, from the Southeast corner of said section to the Northeast corner of said section assumed as North.)

CASS COUNTY

Certain easement rights located across land in Marcellus Township, Cass County, Michigan described as:

The East 6 rods of the SW 1/4 of the SE 1/4 of Section 4, T5S, R13W.

CHARLEVOIX COUNTY

Certain land in South Arm Township, Charlevoix County, Michigan described as:

A parcel of land in the SW 1/4 of Section 29, T32N, R7W, described as follows: Beginning at the Southwest corner of said section and running thence North along the West line of said section 788.25 feet to a point which is 528 feet distant South of the South 1/8 line of said section as measured along the said West line of said section; thence N 89 degrees 30' 19" E, parallel with said South 1/8 line of said section 442.1 feet; thence South 788.15 feet to the South line of said section; thence S 89 degrees 29' 30" W, along said South line of said section 442.1 feet to the place of beginning.

CHEBOYGAN COUNTY

Certain land in Inverness Township, Cheboygan County, Michigan described as:

A parcel of land in the SW frl 1/4 of Section 31, T37N, R2W, described as beginning at the Northwest corner of the SW frl 1/4, running thence East on the East and West quarter line of said Section, 40 rods, thence South parallel to the West line of said Section 40 rods, thence West 40 rods to the West line of said Section, thence North 40 rods to the place of beginning.

CLARE COUNTY

Certain land in Frost Township, Clare County, Michigan described as:

The East 150 feet of the North 225 feet of the NW 1/4 of the NW 1/4 of Section 15, T20N, R4W.

CLINTON COUNTY

Certain land in Watertown Township, Clinton County, Michigan described as:

The NE 1/4 of the NE 1/4 of the SE 1/4 of Section 22, and the North 165 feet of the NW 1/4 of the NE 1/4 of the SE 1/4 of Section 22, T5N, R3W.

CRAWFORD COUNTY

Certain land in Lovells Township, Crawford County, Michigan described as:

A parcel of land in Section 1, T28N, R1W, described as: Commencing at NW corner said section; thence South 89 degrees53'30" East along North section line 105.78 feet to point of beginning; thence South 89 degrees53'30" East along North section line 649.64 feet; thence South 55 degrees 42'30" East 340.24 feet; thence South 55 degrees 44' 37"" East 5,061.81 feet to the East section line; thence South 00 degrees 00' 08"" West along East section line 441.59 feet; thence North 55 degrees 44' 37" West 5,310.48 feet; thence North 55 degrees 42'30" West 877.76 feet to point of beginning.

EATON COUNTY

Certain land in Eaton Township, Eaton County, Michigan described as:

A parcel of land in the SW 1/4 of Section 6, T2N, R4W, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence N 89 degrees 51' 30" E along the South line of said section 400 feet to the place of beginning of this description; thence continuing N 89 degrees 51' 30" E, 500 feet; thence N 00 degrees 50' 00" W, 600 feet; thence S 89 degrees 51' 30" W parallel with the South line of said

section 500 feet; thence S 00 degrees 50' 00" E, 600 feet to the place of beginning.

EMMET COUNTY

Certain land in Wawatam Township, Emmet County, Michigan described as:

The West 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 23, T39N, R4W.

GENESEE COUNTY

Certain land in Argentine Township, Genesee County, Michigan described as:

A parcel of land of part of the SW 1/4 of Section 8, T5N, R5E, being more particularly described as follows:

Beginning at a point of the West line of Duffield Road, 100 feet wide, (as now established) distant 829.46 feet measured N01 degrees42'56"W and 50 feet measured S88 degrees14'04"W` from the South quarter corner, Section 8, T5N, R5E; thence S88 degrees14'04"W a distance of 550 feet; thence N01 degrees42'56"W a distance of 500 feet to a point on the North line of the South half of the Southwest quarter of said Section 8; thence N88 degrees14'04"E along the North line of South half of the Southwest quarter of said Section 8 a distance 550 feet to a point on the West line of Duffield Road, 100 feet wide (as now established); thence S01 degrees42'56"E along the West line of said Duffield Road a distance of 500 feet to the point of beginning.

GLADWIN COUNTY

Certain land in Secord Township, Gladwin County, Michigan described as:

The East 400 feet of the South 450 feet of Section 2, T19N, R1E.

GRAND TRAVERSE COUNTY

Certain land in Mayfield Township, Grand Traverse County, Michigan described as:

A parcel of land in the Northwest 1/4 of Section 3, T25N, R11W, described as follows: Commencing at the Northwest corner of said section, running thence S 89 degrees19'15" E along the North line of said section and the center line of Clouss Road 225 feet, thence South 400 feet, thence N 89 degrees19'15" W 225 feet to the West line of said section and the center line of Hannah Road, thence North along the West line of said section and the center line of Hannah Road 400 feet to the place of beginning for this description.

GRATIOT COUNTY

Certain land in Fulton Township, Gratiot County, Michigan described as:

A parcel of land in the NE 1/4 of Section 7, Township 9 North, Range 3 West, described as beginning at a point on the North line of George Street in the Village of Middleton, which is 542 feet East of the North and South one-quarter (1/4) line of said Section 7; thence North 100 feet; thence East 100 feet; thence South 100 feet to the North line of George Street; thence West along the North line of George Street 100 feet to place of beginning.

HILLSDALE COUNTY

Certain land in Litchfield Village, Hillsdale County, Michigan described as:

Lot 238 of Assessors Plat of the Village of Litchfield.

HURON COUNTY

Certain easement rights located across land in Sebewaing Township, Huron County, Michigan described as:

The North 1/2 of the Northwest 1/4 of Section 15, T15N, R9E.

INGHAM COUNTY

Certain land in Vevay Township, Ingham County, Michigan described as:

A parcel of land 660 feet wide in the Southwest 1/4 of Section 7 lying South of the centerline of Sitts Road as extended to the North-South 1/4 line of said Section 7, T2N, R1W, more particularly described as follows: Commence at the Southwest corner of said Section 7, thence North along the West line of said Section 2502.71 feet to the centerline of Sitts Road; thence South 89 degrees54'45" East along said centerline 2282.38 feet to the place of beginning of this description; thence continuing South 89 degrees54'45" East along said centerline and said centerline extended 660.00 feet to the North-South 1/4 line of said section; thence South 00 degrees07'20" West 1461.71 feet; thence North 89 degrees34'58" West 660.00 feet; thence North 00 degrees07'20" East 1457.91 feet to the centerline of Sitts Road and the place of beginning.

IONIA COUNTY

Certain land in Sebewa Township, Ionia County, Michigan described as:

A strip of land 280 feet wide across that part of the SW 1/4 of the NE 1/4 of Section 15, T5N, R6W, described as follows:

To find the place of beginning of this description commence at the E 1/4 corner of said section; run thence N 00 degrees 05' 38" W along the East line of said section, 1218.43 feet; thence S 67 degrees 18' 24" W, 1424.45 feet to the East 1/8 line of said section and the place of beginning of this description; thence continuing S 67 degrees 18' 24" W, 1426.28 feet to the North and South 1/4 line of said section at a point which said point is 105.82 feet distant N'ly of the center of said section as measured along said North and South 1/4 line of said section; thence N 00 degrees 04' 47" E along said North and South 1/4 line of said section, 303.67 feet; thence N 67 degrees 18' 24" E, 1425.78 feet to the East 1/8 line of said section; thence S 00 degrees 00' 26" E along said East 1/8 line of said section, 303.48 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R6W, from the E 1/4 corner of said section to the Northeast corner of said section assumed as N 00 degrees 05' 38" W.)

IOSCO COUNTY

Certain land in Alabaster Township, Iosco County, Michigan described as:

A parcel of land in the NW 1/4 of Section 34, T21N, R7E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence South along the North and South 1/4 line of said section, 1354.40 feet to the place of beginning of this description; thence continuing South along the said North and South 1/4 line of said section, 165.00 feet to a point on the said North and South 1/4 line of said section which said point is 1089.00 feet distant North of the center of said section; thence West 440.00 feet; thence North 165.00 feet; thence East 440.00 feet to the said North and South 1/4 line of said section and the place of beginning.

ISABELLA COUNTY

Certain land in Chippewa Township, Isabella County, Michigan described as:

The North 8 rods of the NE 1/4 of the SE 1/4 of Section 29, T14N, R3W.

JACKSON COUNTY

Certain land in Waterloo Township, Jackson County, Michigan described as:

A parcel of land in the North fractional part of the N fractional 1/2 of Section 2, T1S, R2E, described as follows: To find the place of beginning of this description commence at the E 1/4 post of said section; run thence N 01 degrees 03' 40" E along the East line of said section 1335.45 feet to the North 1/8 line of said section and the place of beginning of this description; thence N 89 degrees 32' 00" W, 2677.7 feet to the North and South 1/4 line of said section; thence S 00 degrees 59' 25" W along the North and South 1/4 line of said section 22.38 feet to the North 1/8 line of said section; thence S 89 degrees 59' 10" W along the North 1/8 line of said section 2339.4 feet to the center line of State Trunkline Highway M-52; thence N 53 degrees 46' 00" W along the center line of said State

Trunkline Highway 414.22 feet to the West line of said section; thence N 00 degrees 55' 10" E along the West line of said section 74.35 feet; thence S 89 degrees 32' 00" E, 5356.02 feet to the East line of said section; thence S 01 degrees 03' 40" W along the East line of said section 250 feet to the place of beginning.

KALAMAZOO COUNTY

Certain land in Alamo Township, Kalamazoo County, Michigan described as:

The South 350 feet of the NW 1/4 of the NW 1/4 of Section 16, T1S, R12W, being more particularly described as follows: To find the place of beginning of this description, commence at the Northwest corner of said section; run thence S 00 degrees 36' 55" W along the West line of said section 971.02 feet to the place of beginning of this description; thence continuing S 00 degrees 36' 55" W along said West line of said section 350.18 feet to the North 1/8 line of said section; thence S 87 degrees 33' 40" E along the said North 1/8 line of said section 1325.1 feet to the West 1/8 line of said section; thence N 00 degrees 38' 25" E along the said West 1/8 line of said section 350.17 feet; thence N 87 degrees 33' 40" W, 1325.25 feet to the place of beginning.

KALKASKA COUNTY

Certain land in Kalkaska Township, Kalkaska County, Michigan described as:

The NW 1/4 of the SW 1/4 of Section 4, T27N, R7W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the Department of Conservation for the State of Michigan to George Welker and Mary Welker, his wife, dated October 9, 1934 and recorded December 28, 1934 in Liber 39 on page 291 of Kalkaska County Records, and subject to easement for pipeline purposes as granted to Michigan Consolidated Gas Company by first party herein on April 4, 1963 and recorded June 21, 1963 in Liber 91 on page 631 of Kalkaska County Records.

KENT COUNTY

Certain land in Caledonia Township, Kent County, Michigan described as:

A parcel of land in the Northwest fractional 1/4 of Section 15, T5N, R10W, described as follows: To find the place of beginning of this description commence at the North 1/4 corner of said section, run thence S 0 degrees 59' 26" E along the North and South 1/4 line of said section 2046.25 feet to the place of beginning of this description, thence continuing S 0 degrees 59' 26" E along said North and South 1/4 line of said section 332.88 feet, thence S 88 degrees 58' 30" W 2510.90 feet to a point herein designated "Point A" on the East bank of the Thornapple River, thence continuing S 88 degrees 53' 30" W to the center thread of the Thornapple River, thence NW'ly along the center thread of said Thornapple

River to a point which said point is S 88 degrees 58' 30" W of a point on the East bank of the Thornapple River herein designated "Point B", said "Point B" being N 23 degrees 41' 35" W 360.75 feet from said above-described "Point A", thence N 88 degrees 58' 30" E to said "Point B", thence continuing N 88 degrees 58' 30" E 2650.13 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R10W between the East 1/4 corner of said section and the Northeast corner of said section assumed as N 0 degrees 59' 55" W.)

LAKE COUNTY

Certain land in Pinora and Cherry Valley Townships, Lake County, Michigan described as:

A strip of land 50 feet wide East and West along and adjoining the West line of highway on the East side of the North 1/2 of Section 13 T18N, R12W. Also a strip of land 100 feet wide East and West along and adjoining the East line of the highway on the West side of following described land: The South 1/2 of NW 1/4, and the South 1/2 of the NW 1/4 of the SW 1/4, all in Section 6, T18N, R11W.

LAPEER COUNTY

Certain land in Hadley Township, Lapeer County, Michigan described as:

The South 825 feet of the W 1/2 of the SW 1/4 of Section 24, T6N, R9E, except the West 1064 feet thereof.

LEELANAU COUNTY

Certain land in Cleveland Township, Leelanau County, Michigan described as:

The North 200 feet of the West 180 feet of the SW 1/4 of the SE 1/4 of Section 35, T29N, R13W.

LENAWEE COUNTY

Certain land in Madison Township, Lenawee County, Michigan described as:

A strip of land 165 feet wide off the West side of the following described premises: The E 1/2 of the SE 1/4 of Section 12. The E 1/2 of the NE 1/4 and the NE 1/4 of the SE 1/4 of Section 13, being all in T7S, R3E, excepting therefrom a parcel of land in the E 1/2 of the SE 1/4 of Section 12, T7S, R3E, beginning at the Northwest corner of said E 1/2 of the SE 1/4 of Section 12, running thence East 4 rods, thence South 6 rods, thence West 4 rods, thence North 6 rods to the place of beginning.

LIVINGSTON COUNTY

Certain land in Cohoctah Township, Livingston County, Michigan described as:

Parcel 1

The East 390 feet of the East 50 rods of the SW 1/4 of Section 30, T4N, R4E.

Parcel 2

A parcel of land in the NW 1/4 of Section 31, T4N, R4E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 13' 06" W along the North line of said section, 330 feet to the place of beginning of this description; running thence S 00 degrees 52' 49" W, 2167.87 feet; thence N 88 degrees 59' 49" W, 60 feet; thence N 00 degrees 52' 49" E, 2167.66 feet to the North line of said section; thence S 89 degrees 13' 06" E along said North line of said section, 60 feet to the place of beginning.

MACOMB COUNTY

Certain land in Macomb Township, Macomb County, Michigan described as:

A parcel of land commencing on the West line of the E 1/2 of the NW 1/4 of fractional Section 6, 20 chains South of the NW corner of said E 1/2 of the NW 1/4 of Section 6; thence South on said West line and the East line of A. Henry Kotner's Hayes Road Subdivision #15, according to the recorded plat thereof, as recorded in Liber 24 of Plats, on page 7, 24.36 chains to the East and West 1/4 line of said Section 6; thence East on said East and West 1/4 line 8.93 chains; thence North parallel with the said West line of the E 1/2 of the NW 1/4 of Section 6, 24.36 chains; thence West 8.93 chains to the place of beginning, all in T3N, R13E.

MANISTEE COUNTY

Certain land in Manistee Township, Manistee County, Michigan described as:

A parcel of land in the SW 1/4 of Section 20, T22N, R16W, described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section; run thence East along the South line of said section 832.2 feet to the place of beginning of this description; thence continuing East along said South line of said section 132 feet; thence North 198 feet; thence West 132 feet; thence South 198 feet to the place of beginning, excepting therefrom the South 2 rods thereof which was conveyed to Manistee Township for highway purposes by a Quitclaim Deed dated June 13, 1919 and recorded July [11], 1919 in Liber 88 of Deeds on page 638 of Manistee County Records.

MASON COUNTY

Certain land in Riverton Township, Mason County, Michigan described as:

Parcel 1

The South 10 acres of the West 20 acres of the S 1/2 of the NE 1/4 of Section 22, T17N, R17W.

Parcel 2

A parcel of land containing 4 acres of the West side of highway, said parcel of land being described as commencing 16 rods South of the Northwest corner of the NW 1/4 of the SW 1/4 of Section 22, T17N, R17W, running thence South 64 rods, thence NE'ly and N'ly and NW'ly along the W'ly line of said highway to the place of beginning, together with any and all right, title, and interest of Howard C. Wicklund and Katherine E. Wicklund in and to that portion of the hereinbefore mentioned highway lying adjacent to the E'ly line of said above described land.

MECOSTA COUNTY

Certain land in Wheatland Township, Mecosta County, Michigan described as:

A parcel of land in the SW 1/4 of the SW 1/4 of Section 16, T14N, R7W, described as beginning at the Southwest corner of said section; thence East along the South line of Section 133 feet; thence North parallel to the West section line 133 feet; thence West 133 feet to the West line of said Section; thence South 133 feet to the place of beginning.

MIDLAND COUNTY

Certain land in Ingersoll Township, Midland County, Michigan described as:

The West 200 feet of the W 1/2 of the NE 1/4 of Section 4, T13N, R2E.

MISSAUKEE COUNTY

Certain land in Norwich Township, Missaukee County, Michigan described as:

A parcel of land in the NW 1/4 of the NW 1/4 of Section 16, T24N, R6W, described as follows: Commencing at the Northwest corner of said section, running thence N 89 degrees 01' 45" E along the North line of said section 233.00 feet; thence South 233.00 feet; thence S 89 degrees 01' 45" W, 233.00 feet to the West line of said section; thence North along said West line of said section 233.00 feet to the place of beginning. (Bearings are based on the West line of Section 16, T24N, R6W, between the Southwest and Northwest corners of said section assumed as North.)

MONROE COUNTY

Certain land in Whiteford Township, Monroe County, Michigan described as:

A parcel of land in the SW1/4 of Section 20, T8S, R6E, described as follows: To find the place of beginning of this description commence at the S 1/4 post of said section; run thence West along the South line of said section 1269.89 feet to the place of beginning of this description; thence continuing West along said South line of said section 100 feet; thence N 00 degrees 50' 35" E, 250 feet; thence East 100 feet; thence S 00 degrees 50' 35" W parallel with and 16.5 feet distant W'ly of as measured perpendicular to the West 1/8 line of said section, as occupied, a distance of 250 feet to the place of beginning.

MONTCALM COUNTY

Certain land in Crystal Township, Montcalm County, Michigan described as:

The N 1/2 of the S 1/2 of the SE 1/4 of Section 35, T10N, R5W.

MONTMORENCY COUNTY

Certain land in the Village of Hillman, Montmorency County, Michigan described as:

Lot 14 of Hillman Industrial Park, being a subdivision in the South 1/2 of the Northwest 1/4 of Section 24, T31N, R4E, according to the plat thereof recorded in Liber 4 of Plats on Pages 32-34, Montmorency County Records.

MUSKEGON COUNTY

Certain land in Casnovia Township, Muskegon County, Michigan described as:

The West 433 feet of the North 180 feet of the South 425 feet of the SW 1/4 of Section 3, T10N, R13W.

NEWAYGO COUNTY

Certain land in Ashland Township, Newaygo County, Michigan described as:

The West 250 feet of the NE 1/4 of Section 23, T11N, R13W.

OAKLAND COUNTY

Certain land in Wixcom City, Oakland County, Michigan described as:

The E 75 feet of the N 160 feet of the N 330 feet of the W 526.84 feet of the NW 1/4 of the NW 1/4 of Section 8, T1N, R8E, more particularly described as follows: Commence at the NW corner of said Section 8, thence N 87 degrees 14' 29" E along the North line of said Section 8 a distance of 451.84 feet to the place

of beginning for this description; thence continuing N 87 degrees 14' 29" E along said North section line a distance of 75.0 feet to the East line of the West 526.84 feet of the NW 1/4 of the NW 1/4 of said Section 8; thence S 02 degrees 37' 09" E along said East line a distance of 160.0 feet; thence S 87 degrees 14' 29" W a distance of 75.0 feet; thence N 02 degrees 37' 09" W a distance of 160.0 feet to the place of beginning.

OCEANA COUNTY

Certain land in Crystal Township, Oceana County, Michigan described as:

The East 290 feet of the SE 1/4 of the NW 1/4 and the East 290 feet of the NE 1/4 of the SW 1/4, all in Section 20, T16N, R16W.

OGEMAW COUNTY

Certain land in West Branch Township, Ogemaw County, Michigan described as:

The South 660 feet of the East 660 feet of the NE 1/4 of the NE 1/4 of Section 33, T22N, R2E.

OSCEOLA COUNTY

Certain land in Hersey Township, Osceola County, Michigan described as:

A parcel of land in the North 1/2 of the Northeast 1/4 of Section 13, T17N, R9W, described as commencing at the Northeast corner of said Section; thence West along the North Section line 999 feet to the point of beginning of this description; thence S 01 degrees 54' 20" E 1327.12 feet to the North 1/8 line; thence S 89 degrees 17' 05" W along the North 1/8 line 330.89 feet; thence N 01 degrees 54' 20" W 1331.26 feet to the North Section line; thence East along the North Section line 331 feet to the point of beginning.

OSCODA COUNTY

Certain land in Comins Township, Oscoda County, Michigan described as:

The East 400 feet of the South 580 feet of the W 1/2 of the SW 1/4 of Section 15, T27N, R3E.

OTSEGO COUNTY

Certain land in Corwith Township, Otsego County, Michigan described as:

Part of the NW 1/4 of the NE 1/4 of Section 28, T32N, R3W, described as: Beginning at the N 1/4 corner of said section; running thence S 89 degrees 04' 06" E along the North line of said section, 330.00 feet; thence S 00 degrees 28' 43" E, 400.00 feet; thence N 89 degrees 04' 06" W, 330.00 feet to the North and

South 1/4 line of said section; thence N 00 degrees 28' 43" W along the said North and South 1/4 line of said section, 400.00 feet to the point of beginning; subject to the use of the N'ly 33.00 feet thereof for highway purposes.

OTTAWA COUNTY

Certain land in Robinson Township, Ottawa County, Michigan described as:

The North 660 feet of the West 660 feet of the NE 1/4 of the NW 1/4 of Section 26, T7N, R15W.

PRESQUE ISLE COUNTY

Certain land in Belknap and Pulawski Townships, Presque Isle County, Michigan described as:

Part of the South half of the Northeast quarter, Section 24, T34N, R5E, and part of the Northwest quarter, Section 19, T34N, R6E, more fully described as: Commencing at the East 1/4 corner of said Section 24; thence N 00 degrees15'47" E, 507.42 feet, along the East line of said Section 24 to the point of beginning; thence S 88 degrees15'36" W, 400.00 feet, parallel with the North 1/8 line of said Section 24; thence N 00 degrees15'47" E, 800.00 feet, parallel with said East line of Section 24; thence N 88 degrees15'36"E, 800.00 feet, along said North 1/8 line of Section 24 and said line extended; thence S 00 degrees15'47" W, 800.00 feet, parallel with said East line of Section 24; thence S 88 degrees15'36" W, 400.00 feet, parallel with said North 1/8 line of Section 24 to the point of beginning.

Together with a 33 foot easement along the West 33 feet of the Northwest quarter lying North of the North 1/8 line of Section 24, Belknap Township, extended, in Section 19, T34N, R6E.

ROSCOMMON COUNTY

Certain land in Gerrish Township, Roscommon County, Michigan described as:

A parcel of land in the NW 1/4 of Section 19, T24N, R3W, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section, run thence East along the North line of said section 1,163.2 feet to the place of beginning of this description (said point also being the place of intersection of the West 1/8 line of said section with the North line of said section), thence S 01 degrees 01' E along said West 1/8 line 132 feet, thence West parallel with the North line of said section 132 feet, thence N 01 degrees 01' W parallel with said West 1/8 line of said section 132 feet to the North line of said section, thence East along the North line of said section 132 feet to the place of beginning.

SAGINAW COUNTY

Certain land in Chapin Township, Saginaw County, Michigan described as:

A parcel of land in the SW 1/4 of Section 13, T9N, R1E, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence North along the West line of said section 1581.4 feet to the place of beginning of this description; thence continuing North along said West line of said section 230 feet to the center line of a creek; thence S 70 degrees 07' 00" E along said center line of said creek 196.78 feet; thence South 163.13 feet; thence West 185 feet to the West line of said section and the place of beginning.

SANILAC COUNTY

Certain easement rights located across land in Minden Township, Sanilac County, Michigan described as:

The Southeast 1/4 of the Southeast 1/4 of Section 1, T14N, R14E, excepting therefrom the South 83 feet of the East 83 feet thereof.

SHIAWASSEE COUNTY

Certain land in Burns Township, Shiawassee County, Michigan described as:

The South 330 feet of the E 1/2 of the NE 1/4 of Section 36, T5N, R4E.

ST. CLAIR COUNTY

Certain land in Ira Township, St. Clair County, Michigan described as:

The N 1/2 of the NW 1/4 of the NE 1/4 of Section 6, T3N, R15E.

ST. JOSEPH COUNTY

Certain land in Mendon Township, St. Joseph County, Michigan described as:

The North 660 feet of the West 660 feet of the NW 1/4 of SW 1/4, Section 35, T5S, R10W.

TUSCOLA COUNTY

Certain land in Millington Township, Tuscola County, Michigan described as:

A strip of land 280 feet wide across the East 96 rods of the South 20 rods of the N 1/2 of the SE 1/4 of Section 34, T10N, R8E, more particularly described as commencing at the Northeast corner of Section 3, T9N, R8E, thence S 89 degrees 55' 35" W along the South line of said Section 34 a distance of 329.65 feet, thence N 18 degrees 11' 50" W a distance of 1398.67 feet to the South 1/8

line of said Section 34 and the place of beginning for this description; thence continuing N 18 degrees 11' 50" W a distance of 349.91 feet; thence N 89 degrees 57' 01" W a distance of 294.80 feet; thence S 18 degrees 11' 50" E a distance of 350.04 feet to the South 1/8 line of said Section 34; thence S 89 degrees 58' 29" E along the South 1/8 line of said section a distance of 294.76 feet to the place of beginning.

VAN BUREN COUNTY

Certain land in Covert Township, Van Buren County, Michigan described as:

All that part of the West 20 acres of the N 1/2 of the NE fractional 1/4 of Section 1, T2S, R17W, except the West 17 rods of the North 80 rods, being more particularly described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 29' 20" E along the North line of said section 280.5 feet to the place of beginning of this description; thence continuing N 89 degrees 29' 20" E along said North line of said section 288.29 feet; thence S 00 degrees 44' 00" E, 1531.92 feet; thence S 89 degrees 33' 30" W, 568.79 feet to the North and South 1/4 line of said section; thence N 00 degrees 44' 00" W along said North and South 1/4 line of said section 211.4 feet; thence N 89 degrees 29' 20" E, 280.5 feet; thence N 00 degrees 44' 00" W, 1320 feet to the North line of said section and the place of beginning.

WASHTENAW COUNTY

Certain land in Manchester Township, Washtenaw County, Michigan described as:

A parcel of land in the NE 1/4 of the NW 1/4 of Section 1, T4S, R3E, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section; run thence East along the North line of said section 1355.07 feet to the West 1/8 line of said section; thence S 00 degrees 22' 20" E along said West 1/8 line of said section 927.66 feet to the place of beginning of this description; thence continuing S 00 degrees 22' 20" E along said West 1/8 line of said section 660 feet to the North 1/8 line of said section; thence N 86 degrees 36' 57" E along said North 1/8 line of said section 660.91 feet; thence N 00 degrees22' 20" W, 660 feet; thence S 86 degrees 36' 57" W, 660.91 feet to the place of beginning.

WAYNE COUNTY

Certain land in Livonia City, Wayne County, Michigan described as:

Commencing at the Southeast corner of Section 6, T1S, R9E; thence North along the East line of Section 6 a distance of 253 feet to the point of beginning; thence continuing North along the East line of Section 6 a distance of 50 feet; thence Westerly parallel to the South line of Section 6, a distance of 215 feet; thence Southerly parallel to the East line of Section 6 a distance of 50 feet;

thence easterly parallel with the South line of Section 6 a distance of 215 feet to the point of beginning.

WEXFORD COUNTY

Certain land in Selma Township, Wexford County, Michigan described as:

A parcel of land in the NW 1/4 of Section 7, T22N, R10W, described as beginning on the North line of said section at a point 200 feet East of the West line of said section, running thence East along said North section line 450 feet, thence South parallel with said West section line 350 feet, thence West parallel with said North section line 450 feet, thence North parallel with said West section line 350 feet to the place of beginning.

SECTION 12. The Company is a transmitting utility under Section 9501(2) of the Michigan Uniform Commercial Code (M.C.L. 440.9501 (2)) as defined in M.C.L. 440.9102(1)(aaaa).

IN WITNESS WHEREOF, said Consumers Energy Company has caused this Supplemental Indenture to be executed in its corporate name by its Chairman of the Board, President, a Vice President or its Treasurer and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and said JPMorgan Chase Bank, as Trustee as aforesaid, to evidence its acceptance hereof, has caused this Supplemental Indenture to be executed in its corporate name by a Vice President and its corporate seal to be hereunto affixed and to be attested by a Trust Officer, in several counterparts, all as of the day and year first above written.

CONSUMERS ENERGY COMPANY

/s/ Paul A. Stadnikia
By ----------------------------
Paul A. Stadnikia
Treasurer

(SEAL)

Attest:

/s/ Joyce H. Norkey
- ----------------------
Joyce H. Norkey
Assistant Secretary

Signed, sealed and delivered
by CONSUMERS ENERGY COMPANY
in the presence of

/s/ Kimberly C. Wilson
- ----------------------
Kimberly C. Wilson

/s/ Sammie B. Dalton
- ----------------------
Sammie B. Dalton

STATE OF MICHIGAN)
ss.
COUNTY OF JACKSON)

The foregoing instrument was acknowledged before me this 26th day of March, 2003, by Paul A. Stadnikia, Treasurer of CONSUMERS ENERGY COMPANY, a Michigan corporation, on behalf of the corporation.

/s/ Margaret Hillman

Margaret Hillman, Notary Public
Jackson County, Michigan
My Commission Expires: June 14, 2004

[Seal]

JPMORGAN CHASE BANK, AS TRUSTEE

(SEAL)

By /s/ L. O'Brien

L. O'Brien
Vice President

Attest:

/s/ Virginia Dominguez
- ------------------------------
VIRGINIA DOMINGUEZ
Trust Officer [ILLEGIBLE]

Signed, sealed and delivered
by JPMORGAN CHASE BANK
in the presence of

/s/ Natalia Rodriguez
- ----------------------------
NATALIA RODRIGUEZ
VICE PRESIDENT

/s/ William G. Keenan
- ----------------------------
WILLIAM G. KEENAN
VICE PRESIDENT

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 26th day of March, 2003, by L. O'Brien, a Vice President of JPMORGAN CHASE BANK, a New York corporation, on behalf of the corporation.

/s/ Emily Fayan

Notary Public
New York County, New York
My Commission Expires:

[Seal]

Prepared by:
Kimberly C. Wilson
212 West Michigan Avenue
Jackson, MI 49201

When recorded, return to:
Consumers Energy Company
Business Services Real Estate Dept.
Attn: Nancy Fisher EP7-439
One Energy Plaza
Jackson, MI 49201

EXHIBIT 4(b)

EIGHTY-EIGHTH SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR

FIRST MORTGAGE BONDS,

2003 COLLATERAL SERIES (INTEREST BEARING)

and

2003 COLLATERAL SERIES (ZERO RATE)

DATED AS OF MARCH 27, 2003

CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,

TRUSTEE

Counterpart ____ of 80

THIS EIGHTY-EIGHTH SUPPLEMENTAL INDENTURE, dated as of March 27, 2003 (herein sometimes referred to as "this Supplemental Indenture"), made and entered into by and between CONSUMERS ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan, with its principal executive office and place of business at 212 West Michigan Avenue, in Jackson, Jackson County, Michigan 49201, formerly known as Consumers Power Company (hereinafter sometimes referred to as the "Company"), and JPMORGAN CHASE BANK, a corporation organized and existing under the laws of the State of New York, with its corporate trust offices at 4 New York Plaza, New York, New York 10004 (hereinafter sometimes referred to as the "Trustee"), as Trustee under the Indenture dated as of September 1, 1945 between Consumers Power Company, a Maine corporation (hereinafter sometimes referred to as the "Maine corporation"), and City Bank Farmers Trust Company (Citibank, N.A., successor, hereinafter sometimes referred to as the "Predecessor Trustee"), securing bonds issued and to be issued as provided therein (hereinafter sometimes referred to as the "Indenture"),

WHEREAS at the close of business on January 30, 1959, City Bank Farmers Trust Company was converted into a national banking association under the title "First National City Trust Company"; and

WHEREAS at the close of business on January 15, 1963, First National City Trust Company was merged into First National City Bank; and

WHEREAS at the close of business on October 31, 1968, First National City Bank was merged into The City Bank of New York, National Association, the name of which was thereupon changed to First National City Bank; and

WHEREAS effective March 1, 1976, the name of First National City Bank was changed to Citibank, N.A.; and

WHEREAS effective July 16, 1984, Manufacturers Hanover Trust Company succeeded Citibank, N.A. as Trustee under the Indenture; and

WHEREAS effective June 19, 1992, Chemical Bank succeeded by merger to Manufacturers Hanover Trust Company as Trustee under the Indenture; and

WHEREAS effective July 15, 1996, The Chase Manhattan Bank (National Association), merged with and into Chemical Bank which thereafter was renamed The Chase Manhattan Bank; and

WHEREAS effective November 11, 2001, The Chase Manhattan Bank merged with Morgan Guaranty Trust Company of New York and the surviving corporation was renamed JPMorgan Chase Bank; and

WHEREAS the Indenture was executed and delivered for the purpose of securing such bonds as may from time to time be issued under and in accordance with the terms of the Indenture, the aggregate principal amount of bonds to be secured thereby being limited to $5,000,000,000 at any one time outstanding (except as provided in Section 2.01 of the Indenture), and the Indenture describes and sets forth the property conveyed thereby and is filed

in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Indenture has been supplemented and amended by various indentures supplemental thereto, each of which is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Company and the Maine corporation entered into an Agreement of Merger and Consolidation, dated as of February 14, 1968, which provided for the Maine corporation to merge into the Company; and

WHEREAS the effective date of such Agreement of Merger and Consolidation was June 6, 1968, upon which date the Maine corporation was merged into the Company and the name of the Company was changed from "Consumers Power Company of Michigan" to "Consumers Power Company"; and

WHEREAS the Company and the Predecessor Trustee entered into a Sixteenth Supplemental Indenture, dated as of June 4, 1968, which provided, among other things, for the assumption of the Indenture by the Company; and

WHEREAS said Sixteenth Supplemental Indenture became effective on the effective date of such Agreement of Merger and Consolidation; and

WHEREAS the Company has succeeded to and has been substituted for the Maine corporation under the Indenture with the same effect as if it had been named therein as the mortgagor corporation; and

WHEREAS effective March 11, 1997, the name of Consumers Power Company was changed to Consumers Energy Company; and

WHEREAS, the Company has entered into a Credit Agreement dated as of March 27, 2003 (as amended or otherwise modified from time to time, the "Credit Agreement") with various financial institutions and Bank One, NA, as administrative agent (in such capacity, the "Agent") for the Banks (as such term is defined in the Credit Agreement), providing for the making of certain financial accommodations thereunder, and pursuant to such Credit Agreement the Company has agreed to issue to the Agent, as evidence of and security for the Obligations (as such term is defined in the Credit Agreement), two (2) new series of bonds under the Indenture; and

WHEREAS, for such purposes the Company desires to issue: (i) a new series of bonds, to be designated First Mortgage Bonds, 2003 Collateral Series (Interest Bearing), each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2003 Interest Bearing Collateral Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified herein and are to mature on the Termination Date (as such term is defined in the Credit Agreement); and (ii) a new series of bonds, to be designated First Mortgage

Bonds, 2003 Collateral Series (Zero Rate), each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2003 Zero Rate Collateral Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to mature on the Termination Date (as such term is defined in the Credit Agreement); and

WHEREAS, each of the registered bonds without coupons of the 2003 Interest Bearing Collateral Bonds and the Trustee's Authentication Certificate thereon and the 2003 Zero Rate Collateral Bonds and the Trustee's Authentication Certificate thereon are to be substantially in the following forms, to wit:

[FORM OF REGISTERED BOND

OF THE 2003 INTEREST BEARING COLLATERAL BONDS]

[FACE]

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
2003 COLLATERAL SERIES (INTEREST BEARING)

No. 1 $37,500,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Bank One, NA, as agent (in such capacity, the "Agent") for the Banks under and as defined in the Credit Agreement dated as of March 27, 2003 among the Company, the Banks and the Agent (as amended or otherwise modified from time to time, the "Credit Agreement"), or registered assigns, the principal sum of Thirty-Seven Million Five Hundred Thousand Dollars ($37,500,000) or such lesser principal amount as shall be equal to the IB Percentage (as defined below) of the aggregate principal amount of the Loans (as defined in the Credit Agreement) and Reimbursement Obligations (as defined in the Credit Agreement) included in the Obligations (as defined in the Credit Agreement) outstanding on the Termination Date (as defined in the Credit Agreement) (the "Maturity Date"), but not in excess, however, of the principal amount of this bond, and to pay interest thereon at the Interest Rate (as defined below) until the principal hereof is paid or duly made available for payment on the Maturity Date, or, in the event of redemption of this bond, until the redemption date, or, in the event of default in the payment of the principal hereof, until the Company's obligations with respect to the payment of such principal shall be discharged as provided in the Indenture (as defined on the reverse hereof). Interest on this bond shall be payable on each Interest Payment Date (as defined below), commencing on the first Interest Payment Date next succeeding March 27, 2003. If the Maturity Date falls on a day which is not a Business Day, as defined below, principal and any interest and/or fees payable with respect to the Maturity Date will be paid on the immediately preceding Business Day. The interest payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the person in whose name this bond (or one or more predecessor bonds) is registered at the close of business on the Record Date (as defined below); provided, however, that interest payable on the Maturity Date will be payable to the person to whom the principal hereof shall be payable. Should the Company default in the payment of interest ("Defaulted Interest"), the Defaulted Interest shall be paid to the person in whose name this bond (or one or more predecessor bonds) is registered on a subsequent record date fixed by the Company, which subsequent record date shall be fifteen (15) days prior to the payment of such Defaulted Interest. As used herein, (A) "Business Day" shall mean any day, other than a Saturday or Sunday, on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system; (B) "IB Percentage" means the

difference between 100% and the ZR Percentage (as defined below); (C) "Interest Payment Date" shall mean each date on which Obligations constituting interest and/or fees are due and payable from time to time pursuant to the Credit Agreement; (D) "Interest Rate" shall mean a rate of interest per annum, adjusted as necessary, to result in an interest payment equal to the aggregate amount of Obligations constituting interest and fees due under the Credit Agreement on the applicable Interest Payment Date; (E) "Record Date" with respect to any Interest Payment Date shall mean the day (whether or not a Business Day) immediately next preceding such Interest Payment Date; and (F) "ZR Percentage" means the percentage (rounded, if necessary, to the nearest or, if there is no nearest, the next higher 1/10 of 1%) which (x) the Discounted Amount (as defined in the Credit Agreement) of the outstanding Zero Rate Bonds (as defined in the Credit Agreement) is of (y) the sum of the Discounted Amount of the outstanding Zero Rate Bonds and the Face Amount (as defined in the Credit Agreement) of the outstanding First Mortgage Bonds, 2003 Collateral Series (Interest Bearing).

Payment of the principal of and interest on this bond will be made in immediately available funds at the office or agency of the Company maintained for that purpose in the City of Jackson, Michigan, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By ___________________________
Printed ______________________
Title_________________________

Attest: __________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By _________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
2003 COLLATERAL SERIES (INTEREST BEARING)

This bond is one of the bonds of a series designated as First Mortgage Bonds, 2003 Collateral Series (Interest Bearing) (sometimes herein referred to as the "2003 Interest Bearing Collateral Bonds") issued under and in accordance with and secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2003 Interest Bearing Collateral Bonds are to be issued and delivered to the Agent in order to evidence and secure the obligation of the Company under the Credit Agreement to make payments to the Banks under the Credit Agreement and to provide the Banks the benefit of the lien of the Indenture with respect to the 2003 Interest Bearing Collateral Bonds.

The obligation of the Company to make payments with respect to the principal of 2003 Interest Bearing Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations included in the IB Percentage of the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations means that if any payment is made on the principal of the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations, a corresponding payment obligation with respect to the principal of the 2003 Interest Bearing Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations discharges the outstanding obligation with respect to such IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations. No such payment of principal shall reduce the principal amount of the 2003 Interest Bearing Collateral Bonds.

The obligation of the Company to make payments with respect to the interest on 2003 Interest Bearing Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the IB Percentage of the then due interest and/or fees under the Credit Agreement shall have been fully or partially

paid. Satisfaction of any obligation to the extent that payment is made with respect to the IB Percentage of the interest and/or fees under the Credit Agreement means that if any payment is made on the interest and/or fees under the Credit Agreement, a corresponding payment obligation with respect to the interest on the 2003 Interest Bearing Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations discharges the outstanding obligation with respect to such IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on this bond, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2003 Interest Bearing Collateral Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent in connection with the Obligations pursuant to the Credit Agreement, and (iii) the IB Percentage of the amount of the arrearage.

If an Event of Default (as defined in the Credit Agreement) with respect to the payment of the principal of the Loans and/or the Reimbursement Obligations shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the principal of the 2003 Interest Bearing Collateral Bonds equal to the IB Percentage of the amount of such unpaid principal or Reimbursement Obligations (but in no event in excess of the principal amount of the 2003 Interest Bearing Collateral Bonds). If an Event of Default (as defined in the Credit Agreement) with respect to the payment of interest on the Loans and/or the Reimbursement Obligations or any fees shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the interest on the 2003 Interest Bearing Collateral Bonds equal to the IB Percentage of the amount of such unpaid interest or fees.

This bond is not redeemable except upon written demand of the Agent following the occurrence of an Event of Default under the Credit Agreement and the acceleration of the Obligations, as provided in Section 9.2 of the Credit Agreement. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less

than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2003 Interest Bearing Collateral Bonds or any other series created after the Sixty-eighth Supplemental Indenture, to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

The Agent shall surrender this bond to the Trustee when all of the principal of and interest on the Loans and Reimbursement Obligations arising under the Credit Agreement, and all of the fees payable pursuant to the Credit Agreement with respect to the Obligations shall have been duly paid, and the Credit Agreement shall have been terminated.

[END OF FORM OF REGISTERED BOND

OF THE 2003 INTEREST BEARING COLLATERAL BONDS]

[FORM OF REGISTERED BOND

OF THE 2003 ZERO RATE COLLATERAL BONDS]

[FACE]

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
2003 COLLATERAL SERIES (ZERO RATE)

No. 1 $227,500,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Bank One, NA, as agent (in such capacity, the "Agent") for the Banks under and as defined in the Credit Agreement dated as of March 27, 2003 among the Company, the Banks and the Agent (as amended or otherwise modified from time to time, the "Credit Agreement"), or registered assigns, the principal sum of Two Hundred Twenty-Seven Million Five Hundred Thousand Dollars ($227,500,000) or such lesser principal amount as shall be equal to the ZR Percentage (as defined below) of the aggregate Obligations (as defined in the Credit Agreement) consisting of (x) the principal amount of the Loans (as defined in the Credit Agreement), (y) the Reimbursement Obligations (as defined in the Credit Agreement) and (z) unpaid interest and fees under the Credit Agreement. Such amount shall be payable on or before the Termination Date (as defined in the Credit Agreement) (the "Maturity Date"). Any payment of interest and/or fees under the Credit Agreement shall be considered a reduction of the principal amount hereof in an amount equal to the ZR Percentage of such interest and/or fees and shall reduce the principal amount hereof by such amount. If the Maturity Date falls on a day which is not a Business Day, as defined below, all amounts payable on the Maturity Date will be paid on the immediately preceding Business Day. As used herein, (A) "Business Day" shall mean any day, other than a Saturday or Sunday, on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system; (B) "ZR Percentage" means the percentage (rounded, if necessary, to the nearest or, if there is no nearest, the next higher 1/10 of 1%) which (x) the Discounted Amount (as defined in the Credit Agreement) of the outstanding First Mortgage Bonds, 2003 Collateral Series (Zero Rate) is of (y) the sum of the Discounted Amount of the outstanding First Mortgage Bonds, 2003 Collateral Series (Zero Rate) and the Face Amount (as defined in the Credit Agreement) of the outstanding First Mortgage Bonds, 2003 Collateral Series (Interest Bearing).

Payment of the principal of this bond will be made in immediately available funds at the office or agency of the Company maintained for that purpose in the City of Jackson, Michigan, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. In the event the Company shall fail to pay the principal amount of this bond at maturity, whether by acceleration or otherwise, such principal amount

shall bear interest until paid in full at a rate per annum equal to the Floating Rate (as defined in the Credit Agreement) plus 1%.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By ___________________________
Printed ______________________
Title ________________________

Attest: __________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By ________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
2003 COLLATERAL SERIES (ZERO RATE)

This bond is one of the bonds of a series designated as First Mortgage Bonds, 2003 Collateral Series (Zero Rate) (sometimes herein referred to as the "2003 Zero Rate Collateral Bonds") issued under and in accordance with and secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2003 Zero Rate Collateral Bonds are to be issued and delivered to the Agent in order to evidence and secure the obligation of the Company under the Credit Agreement to make payments to the Banks and to provide the Banks the benefit of the lien of the Indenture with respect to the 2003 Zero Rate Collateral Bonds.

The obligation of the Company to make payments with respect to the principal of 2003 Zero Rate Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the ZR Percentage of the Loans and/or the ZR Percentage of the Reimbursement Obligations, and the then-due ZR Percentage of payment obligations with respect to interest and/or fees under the Credit Agreement, shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the ZR Percentage of the Loans, the ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of interest and/or fees under the Credit Agreement means that if any payment is made on the principal of the ZR Percentage of the Loans and/or the ZR Percentage of the Reimbursement Obligations, or if any payment is made on the ZR Percentage of the interest and/or fees under the Credit Agreement, a corresponding payment obligation with respect to the principal of the 2003 Zero Rate Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the ZR Percentage of the Loans, the ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of the interest and/or fees discharges the outstanding obligation with respect to such ZR Percentage of the Loans, ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of the interest and/or fees. No payment of principal of the 2003 Zero Rate Collateral Bonds attributable to any payment of the principal of Loans or Reimbursement Obligations shall reduce the principal amount of the 2003 Zero Rate Collateral Bonds, but any payment of

principal of the 2003 Zero Rate Collateral Bonds attributable to any payment of interest or fees under the Credit Agreement shall reduce the principal of the 2003 Zero Rate Collateral Bonds.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of this bond, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal on the 2003 Zero Rate Collateral Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent in connection with the Obligations pursuant to the Credit Agreement, and (iii) the ZR Percentage of the amount of the arrearage.

If an Event of Default (as defined in the Credit Agreement) with respect to the payment of the principal of the Loans and/or the Reimbursement Obligations and/or any interest or fees shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the principal of the 2003 Zero Rate Collateral Bonds equal to the ZR Percentage of the amount of such unpaid principal, Reimbursement Obligations, interest and/or fees (but in no event in excess of the principal amount of the 2003 Zero Rate Collateral Bonds).

This bond is not redeemable except upon written demand of the Agent following the occurrence of an Event of Default under the Credit Agreement and the acceleration of the Obligations, as provided in Section 9.2 of the Credit Agreement. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2003 Zero Rate Collateral Bonds or any other series created after the Sixty-eighth Supplemental Indenture, to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than

any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

The Agent shall surrender this bond to the Trustee when all of the principal of and interest on the Loans and Reimbursement Obligations arising under the Credit Agreement, and all of the fees payable pursuant to the Credit Agreement with respect to the Obligations shall have been duly paid, and the Credit Agreement shall have been terminated.

[END OF FORM OF REGISTERED BOND

OF THE 2003 ZERO RATE COLLATERAL BONDS]

AND WHEREAS all acts and things necessary to make the 2003 Interest Bearing Collateral Bonds and the 2003 Zero Rate Collateral Bonds (collectively referred to herein as, the "Collateral Bonds"), when duly executed by the Company and authenticated by the Trustee or its agent and issued as prescribed in the Indenture, as heretofore supplemented and amended, and this Supplemental Indenture provided, the valid, binding and legal obligations of the Company, and to constitute the Indenture, as supplemented and amended as aforesaid, as well as by this Supplemental Indenture, a valid, binding and legal instrument for the security thereof, have been done and performed, and the creation, execution and delivery of this Supplemental Indenture and the creation, execution and issuance of bonds subject to the terms hereof and of the Indenture, as so supplemented and amended, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, of the acceptance and purchase by the holders thereof of the bonds issued and to be issued under the Indenture, as supplemented and amended as above set forth, and of the sum of One Dollar duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and premium, if any, and interest on all bonds now outstanding under the Indenture and the $37,500,000 principal amount of the 2003 Interest Bearing Collateral Bonds and the $227,500,000 principal amount of the 2003 Zero Rate Collateral Bonds and all other bonds which shall be issued under the Indenture, as supplemented and amended from time to time, and for the purpose of securing the faithful performance and observance of all covenants and conditions therein, and in any indenture supplemental thereto, set forth, the Company has given, granted, bargained, sold, released, transferred, assigned, hypothecated, pledged, mortgaged, confirmed, set over, warranted, alienated and conveyed and by these presents does give, grant, bargain, sell, release, transfer, assign, hypothecate, pledge, mortgage, confirm, set over, warrant, alien and convey unto JPMorgan Chase Bank, as Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created and to its or their assigns forever, all the right, title and interest of the Company in and to all the property, described in Section 11 hereof, together (subject to the provisions of Article X of the Indenture) with the tolls, rents, revenues, issues, earnings, income, products and profits thereof, excepting, however, the property, interests and rights specifically excepted from the lien of the Indenture as set forth in the Indenture.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the premises, property, franchises and rights, or any thereof, referred to in the foregoing granting clause, with the reversion and reversions, remainder and remainders and (subject to the provisions of Article X of the Indenture) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, franchises and rights and every part and parcel thereof.

SUBJECT, HOWEVER, with respect to such premises, property, franchises and rights, to excepted encumbrances as said term is defined in Section 1.02 of the Indenture, and subject also to all defects and limitations of title and to all encumbrances existing at the time of acquisition. TO HAVE AND TO HOLD all said premises, property, franchises and rights hereby conveyed,

assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale for the equal and proportionate benefit and security of the holders of all bonds now or hereafter authenticated and delivered under and secured by the Indenture and interest coupons appurtenant thereto, pursuant to the provisions of the Indenture and of any supplemental indenture, and for the enforcement of the payment of said bonds and coupons when payable and the performance of and compliance with the covenants and conditions of the Indenture and of any supplemental indenture, without any preference, distinction or priority as to lien or otherwise of any bond or bonds over others by reason of the difference in time of the actual authentication, delivery, issue, sale or negotiation thereof or for any other reason whatsoever, except as otherwise expressly provided in the Indenture; and so that each and every bond now or hereafter authenticated and delivered thereunder shall have the same lien, and so that the principal of and premium, if any, and interest on every such bond shall, subject to the terms thereof, be equally and proportionately secured, as if it had been made, executed, authenticated, delivered, sold and negotiated simultaneously with the execution and delivery thereof.

AND IT IS EXPRESSLY DECLARED by the Company that all bonds authenticated and delivered under and secured by the Indenture, as supplemented and amended as above set forth, are to be issued, authenticated and delivered, and all said premises, property, franchises and rights hereby and by the Indenture and indentures supplemental thereto conveyed, assigned, pledged or mortgaged, or intended so to be, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in the Indenture, as supplemented and amended as above set forth, and the parties hereto mutually agree as follows:

SECTION 1. There is hereby created two (2) series of bonds (the "2003 Interest Bearing Collateral Bonds" and the "2003 Zero Rate Collateral Bonds") designated as hereinabove provided, both of which shall also bear the descriptive title "First Mortgage Bond", and the forms thereof shall be substantially as hereinbefore set forth (collectively, the "Sample Bonds"). The 2003 Interest Bearing Collateral Bonds shall be issued in the aggregate principal amount of $37,500,000, shall mature on the Termination Date (as such term is defined in the Credit Agreement) and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The 2003 Zero Rate Collateral Bonds shall be issued in the aggregate principal amount of $227,500,000, shall mature on the Termination Date (as such term is defined in the Credit Agreement) and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The serial numbers of the Collateral Bonds shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The Collateral Bonds are to be issued to and registered in the name of the Agent under the Credit Agreement (as such terms are defined in the Sample Bonds) to evidence and secure any and all Obligations (as such term is defined in the Credit Agreement) of the Company under the Credit Agreement.

The 2003 Interest Bearing Collateral Bonds shall bear interest as set forth in the Form of Registered Bond of the 2003 Interest Bearing Collateral Bonds hereinbefore set forth (the

"Interest Bearing Sample Bond"). The principal of and the interest on said bonds shall be payable as set forth in the Interest Bearing Sample Bond. The principal of the 2003 Zero Rate Collateral Bonds shall be payable as set forth in the Form of Registered Bond of the 2003 Zero Rate Collateral Bonds hereinbefore set forth (the "Zero Rate Sample Bond"). All payments of interest with respect to the Obligations shall be applied to the Collateral Bonds according to the IB Percentage (in the case of the 2003 Interest Bearing Collateral Bonds) or the ZR Percentage (in the case of the 2003 Zero Rate Collateral Bonds), as applicable. "IB Percentage" and "ZR Percentage" shall have the meanings assigned to such terms in the Interest Bearing Sample Bond and the Zero Rate Sample Bond, respectively.

The obligation of the Company to make payments with respect to the principal of 2003 Interest Bearing Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations included in the IB Percentage of the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations means that if any payment is made on the principal of the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations, a corresponding payment obligation with respect to the principal of the 2003 Interest Bearing Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations discharges the outstanding obligation with respect to such IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations. No such payment of principal shall reduce the principal amount of the 2003 Interest Bearing Collateral Bonds.

The obligation of the Company to make payments with respect to the interest on 2003 Interest Bearing Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the IB Percentage of the then due interest and/or fees under the Credit Agreement shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the IB Percentage of the interest and/or fees under the Credit Agreement means that if any payment is made on the interest and/or fees under the Credit Agreement, a corresponding payment obligation with respect to the interest on the 2003 Interest Bearing Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations discharges the outstanding obligation with respect to such IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations.

The obligation of the Company to make payments with respect to the principal of 2003 Zero Rate Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the ZR Percentage of the Loans and/or the ZR Percentage of the Reimbursement Obligations, and the then-due ZR Percentage of payment obligations with respect to interest and/or fees under the Credit Agreement, shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the ZR Percentage of the Loans, the ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of interest and/or

fees under the Credit Agreement means that if any payment is made on the principal of the ZR Percentage of the Loans and/or the ZR Percentage of the Reimbursement Obligations, or if any payment is made on the ZR Percentage of the interest and/or fees under the Credit Agreement, a corresponding payment obligation with respect to the principal of the 2003 Zero Rate Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the ZR Percentage of the Loans, the ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of the interest and/or fees discharges the outstanding obligation with respect to such ZR Percentage of the Loans, ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of the interest and/or fees. No payment of principal of the 2003 Zero Rate Collateral Bonds attributable to any payment of the principal of Loans or Reimbursement Obligations shall reduce the principal amount of the 2003 Zero Rate Collateral Bonds, but any payment of principal of the 2003 Zero Rate Collateral Bonds attributable to any payment of interest or fees under the Credit Agreement shall be applied to reduce the principal of the 2003 Zero Rate Collateral Bonds.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on the Collateral Bonds, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2003 Interest Bearing Collateral Bonds has not been made or that timely payment of principal on the 2003 Zero Rate Collateral Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Credit Agreement, and (iii) the amount of the arrearage.

The Collateral Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 2. The Collateral Bonds are not redeemable by the operation of the maintenance and replacement provisions of this Indenture or with the proceeds of released property.

SECTION 3. Upon the occurrence of an Event of Default under the Credit Agreement and the acceleration of the Obligations, the Collateral Bonds shall be redeemable in whole upon receipt by the Trustee of a written demand from the Agent stating that there has occurred under the Credit Agreement both an Event of Default and a declaration of acceleration of the Obligations and demanding redemption of the Collateral Bonds (including a description of the amount of principal, interest and fees which comprise such Obligations). The Company waives any right it may have to prior notice of such redemption under the Indenture. Upon surrender of the Collateral Bonds by the Agent to the Trustee, the Collateral Bonds shall be redeemed at a redemption price equal to the aggregate amount of the Obligations.

SECTION 4. The Company reserves the right, without any consent, vote or other action by the holder of the Collateral Bonds or of any subsequent series of bonds issued under the

Indenture, to make such amendments to the Indenture, as supplemented, as shall be necessary in order to amend Section 17.02 to read as follows:

SECTION 17.02. With the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding or their attorneys-in-fact duly authorized, or, if fewer than all series are affected, not less than a majority in principal amount of the bonds at the time outstanding of each series the rights of the holders of which are affected, voting together, the Company, when authorized by a resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or modifying the rights and obligations of the Company and the rights of the holders of any of the bonds and coupons; provided, however, that no such supplemental indenture shall (1) extend the maturity of any of the bonds or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected, or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the bonds then outstanding, or (3) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the bonds then outstanding. For the purposes of this Section, bonds shall be deemed to be affected by a supplemental indenture if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against its property. The Trustee may in its discretion determine whether or not, in accordance with the foregoing, bonds of any particular series would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of bonds of such series and all other series. Subject to the provisions of Sections 16.02 and 16.03 hereof, the Trustee shall not be liable for any determination made in good faith in connection herewith.

Upon the written request of the Company, accompanied by a resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of bondholders as aforesaid (the instrument or instruments evidencing such consent to be dated within one year of such request), the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Company and the Trustee, if they so elect, and either before or after such consent has been obtained, may require the holder of any bond consenting to the execution of any such supplemental indenture to submit his bond to the Trustee or to ask such bank, banker or trust company as may be designated by the Trustee for the purpose, for the notation thereon of the fact that the holder of such bond has consented to the execution of such supplemental indenture, and in such case such notation, in form satisfactory to the Trustee, shall be made upon all bonds so submitted, and such bonds bearing such notation shall forthwith be returned to the persons entitled thereto.

Prior to the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in one daily newspaper of general circulation in each city in which the principal of any of the bonds shall be payable, or, if all bonds outstanding shall be registered bonds without coupons or coupon bonds registered as to principal, such notice shall be sufficiently given if mailed, first class, postage prepaid, and registered if the Company so elects, to each registered holder of bonds at the last address of such holder appearing on the registry books, such publication or mailing, as the case may be, to be made not less than thirty days prior to such execution. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 5. As supplemented and amended as above set forth, the Indenture is in all respects ratified and confirmed, and the Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 6. Nothing contained in this Supplemental Indenture shall, or shall be construed to, confer upon any person other than a holder of bonds issued under the Indenture, as supplemented and amended as above set forth, the Company, the Trustee and the Agent, for the benefit of the Banks (as such term is defined in the Credit Agreement), any right or interest to avail himself of any benefit under any provision of the Indenture, as so supplemented and amended.

SECTION 7. The Trustee assumes no responsibility for or in respect of the validity or sufficiency of this Supplemental Indenture or of the Indenture as hereby supplemented or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein (other than those contained in the sixth, seventh and eighth recitals hereof), all of which recitals and statements are made solely by the Company.

SECTION 8. This Supplemental Indenture may be simultaneously executed in several counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

SECTION 9. In the event the date of any notice required or permitted hereunder shall not be a Business Day, then (notwithstanding any other provision of the Indenture or of any supplemental indenture thereto) such notice need not be made on such date, but may be made on

the next succeeding Business Day with the same force and effect as if made on the date fixed for such notice. "Business Day" means, with respect to this Section 9, any day, other than a Saturday or Sunday, on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system.

SECTION 10. This Supplemental Indenture and the Collateral Bonds shall be governed by and deemed to be a contract under, and construed in accordance with, the laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

SECTION 11. Detailed Description of Property Mortgaged:

I.

ELECTRIC GENERATING PLANTS AND DAMS

All the electric generating plants and stations of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including all powerhouses, buildings, reservoirs, dams, pipelines, flumes, structures and works and the land on which the same are situated and all water rights and all other lands and easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such plants and stations or any of them, or adjacent thereto.

II.

ELECTRIC TRANSMISSION LINES

All the electric transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including towers, poles, pole lines, wires, switches, switch racks, switchboards, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation. Also all the real property, rights of way, easements, permits, privileges and rights for or relating to the construction, maintenance or operation of certain transmission lines, the land and rights for which are owned by the Company, which are either not built or now being constructed.

III.

ELECTRIC DISTRIBUTION SYSTEMS

All the electric distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including substations, transformers, switchboards, towers, poles, wires, insulators, subways, trenches, conduits, manholes, cables, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IV.

ELECTRIC SUBSTATIONS, SWITCHING STATIONS AND SITES

All the substations, switching stations and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for transforming, regulating, converting or distributing or otherwise controlling electric current at any of its plants and elsewhere, together with all buildings, transformers, wires, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such substations and switching stations, or adjacent thereto, with sites to be used for such purposes.

V.

GAS COMPRESSOR STATIONS, GAS PROCESSING PLANTS, DESULPHURIZATION STATIONS, METERING STATIONS, ODORIZING STATIONS, REGULATORS AND SITES

All the compressor stations, processing plants, desulphurization stations, metering stations, odorizing stations, regulators and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for compressing, processing, desulphurizing, metering, odorizing and regulating manufactured or natural gas at any of its plants and elsewhere, together with all buildings, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such purposes, with sites to be used for such purposes.

VI.

GAS STORAGE FIELDS

The natural gas rights and interests of the Company, including wells and well lines (but not including natural gas, oil and minerals), the gas gathering system, the underground gas storage rights, the underground gas storage wells and injection and withdrawal system used in connection therewith, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture: In the Overisel Gas Storage Field, located in the Township of Overisel, Allegan County, and in the Township of Zeeland, Ottawa County, Michigan; in the Northville Gas Storage Field located in the Township of Salem, Washtenaw County, Township of Lyon, Oakland County, and the Townships of Northville and Plymouth and City of Plymouth, Wayne County, Michigan; in the Salem Gas Storage Field, located in the Township of Salem, Allegan County, and in the Township of Jamestown, Ottawa County, Michigan; in the Ray Gas Storage Field, located in the Townships of Ray and Armada, Macomb County, Michigan; in the Lenox Gas Storage Field, located in the Townships of Lenox and Chesterfield, Macomb County, Michigan; in the Ira Gas Storage Field, located in the Township of Ira, St. Clair County, Michigan; in the Puttygut Gas Storage Field, located in the Township of Casco, St. Clair County, Michigan; in the Four Corners Gas Storage Field, located in the Townships of Casco, China, Cottrellville and Ira, St. Clair County, Michigan; in the Swan Creek Gas Storage Field, located in the Township of Casco and Ira, St. Clair County, Michigan; and in the Hessen Gas Storage Field, located in the Townships of Casco and Columbus, St. Clair, Michigan.

VII.

GAS TRANSMISSION LINES

All the gas transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including gas mains, pipes, pipelines, gates, valves, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, right of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

VIII.

GAS DISTRIBUTION SYSTEMS

All the gas distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including tunnels, conduits, gas mains and pipes, service pipes, fittings, gates, valves, connections, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all

real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IX.

OFFICE BUILDINGS, SERVICE BUILDINGS, GARAGES, ETC.

All office, garage, service and other buildings of the Company, wherever located, in the State of Michigan, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, together with the land on which the same are situated and all easements, rights of way and appurtenances to said lands, together with all furniture and fixtures located in said buildings.

X.

TELEPHONE PROPERTIES AND RADIO COMMUNICATION EQUIPMENT

All telephone lines, switchboards, systems and equipment of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, used or available for use in the operation of its properties, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such telephone properties or any of them or adjacent thereto; together with all real estate, rights of way, easements, permits, privileges, franchises, property, devices or rights related to the dispatch, transmission, reception or reproduction of messages, communications, intelligence, signals, light, vision or sound by electricity, wire or otherwise, including all telephone equipment installed in buildings used as general and regional offices, substations and generating stations and all telephone lines erected on towers and poles; and all radio communication equipment of the Company, together with all property, real or personal (except any in the Indenture expressly excepted), fixed stations, towers, auxiliary radio buildings and equipment, and all appurtenances used in connection therewith, wherever located, in the State of Michigan.

XI.

OTHER REAL PROPERTY

All other real property of the Company and all interests therein, of every nature and description (except any in the Indenture expressly excepted) wherever located, in the State of Michigan, acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture. Such real property includes but is not limited to the following described property, such property is subject to any interests that were excepted or reserved in the conveyance to the Company:

ALCONA COUNTY

Certain land in Caledonia Township, Alcona County, Michigan described as:

The East 330 feet of the South 660 feet of the SW 1/4 of the SW 1/4 of Section 8, T28N, R8E, except the West 264 feet of the South 330 feet thereof; said land being more particularly described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section, run thence East along the South line of said section 1243 feet to the place of beginning of this description, thence continuing East along said South line of said section 66 feet to the West 1/8 line of said section, thence N 02 degrees 09' 30" E along the said West 1/8 line of said section 660 feet, thence West 330 feet, thence S 02 degrees 09' 30" W, 330 feet, thence East 264 feet, thence S 02 degrees 09' 30" W, 330 feet to the place of beginning.

ALLEGAN COUNTY

Certain land in Lee Township, Allegan County, Michigan described as:

The NE 1/4 of the NW 1/4 of Section 16, T1N, R15W.

ALPENA COUNTY

Certain land in Wilson and Green Townships, Alpena County, Michigan described as:

All that part of the S'ly 1/2 of the former Boyne City-Gaylord and Alpena Railroad right of way, being the Southerly 50 feet of a 100 foot strip of land formerly occupied by said Railroad, running from the East line of Section 31, T31N, R7E, Southwesterly across said Section 31 and Sections 5 and 6 of T30N, R7E and Sections 10, 11 and the E 1/2 of Section 9, except the West 1646 feet thereof, all in T30N, R6E.

ANTRIM COUNTY

Certain land in Mancelona Township, Antrim County, Michigan described as:

The S 1/2 of the NE 1/4 of Section 33, T29N, R6W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the State of Michigan to August W. Schack and Emma H. Schack, his wife, dated April 15, 1946 and recorded May 20, 1946 in Liber 97 of Deeds on page 682 of Antrim County Records.

ARENAC COUNTY

Certain land in Standish Township, Arenac County, Michigan described as:

A parcel of land in the SW 1/4 of the NW 1/4 of Section 12, T18N, R4E, described as follows: To find the place of beginning of said parcel of land,

commence at the Northwest corner of Section 12, T18N, R4E; run thence South along the West line of said section, said West line of said section being also the center line of East City Limits Road 2642.15 feet to the W 1/4 post of said section and the place of beginning of said parcel of land; running thence N 88 degrees 26' 00" E along the East and West 1/4 line of said section, 660.0 feet; thence North parallel with the West line of said section, 310.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet; thence South parallel with the West line of said section, 260.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet to the West line of said section and the center line of East City Limits Road; thence South along the said West line of said section, 50.0 feet to the place of beginning.

BARRY COUNTY

Certain land in Johnstown Township, Barry County, Michigan described as:

A strip of land 311 feet in width across the SW 1/4 of the NE 1/4 of Section 31, T1N, R8W, described as follows: To find the place of beginning of this description, commence at the E 1/4 post of said section; run thence N 00 degrees 55' 00" E along the East line of said section, 555.84 feet; thence N 59 degrees 36' 20" W, 1375.64 feet; thence N 88 degrees 30' 00" W, 130 feet to a point on the East 1/8 line of said section and the place of beginning of this description; thence continuing N 88 degrees 30' 00" W, 1327.46 feet to the North and South 1/4 line of said section; thence S 00 degrees 39'35" W along said North and South 1/4 line of said section, 311.03 feet to a point, which said point is 952.72 feet distant N'ly from the East and West 1/4 line of said section as measured along said North and South 1/4 line of said section; thence S 88 degrees 30' 00" E, 1326.76 feet to the East 1/8 line of said section; thence N 00 degrees 47' 20" E along said East 1/8 line of said section, 311.02 feet to the place of beginning.

BAY COUNTY

Certain land in Frankenlust Township, Bay County, Michigan described as:

The South 250 feet of the N 1/2 of the W 1/2 of the W 1/2 of the SE 1/4 of Section 9, T13N, R4E.

BENZIE COUNTY

Certain land in Benzonia Township, Benzie County, Michigan described as:

A parcel of land in the Northeast 1/4 of Section 7, Township 26 North, Range 14 West, described as beginning at a point on the East line of said Section 7, said point being 320 feet North measured along the East line of said section from the East 1/4 post; running thence West 165 feet; thence North parallel with the East line of said section 165 feet; thence East 165 feet to the East line of said section; thence South 165 feet to the place of beginning.

BRANCH COUNTY

Certain land in Girard Township, Branch County, Michigan described as:

A parcel of land in the NE 1/4 of Section 23 T5S, R6W, described as beginning at a point on the North and South quarter line of said section at a point 1278.27 feet distant South of the North quarter post of said section, said distance being measured along the North and South quarter line of said section, running thence S89 degrees21'E 250 feet, thence North along a line parallel with the said North and South quarter line of said section 200 feet, thence N89 degrees21'W 250 feet to the North and South quarter line of said section, thence South along said North and South quarter line of said section 200 feet to the place of beginning.

CALHOUN COUNTY

Certain land in Convis Township, Calhoun County, Michigan described as:

A parcel of land in the SE 1/4 of the SE 1/4 of Section 32, T1S, R6W, described as follows: To find the place of beginning of this description, commence at the Southeast corner of said section; run thence North along the East line of said section 1034.32 feet to the place of beginning of this description; running thence N 89 degrees 39' 52" W, 333.0 feet; thence North 290.0 feet to the South 1/8 line of said section; thence S 89 degrees 39' 52" E along said South 1/8 line of said section 333.0 feet to the East line of said section; thence South along said East line of said section 290.0 feet to the place of beginning. (Bearings are based on the East line of Section 32, T1S, R6W, from the Southeast corner of said section to the Northeast corner of said section assumed as North.)

CASS COUNTY

Certain easement rights located across land in Marcellus Township, Cass County, Michigan described as:

The East 6 rods of the SW 1/4 of the SE 1/4 of Section 4, T5S, R13W.

CHARLEVOIX COUNTY

Certain land in South Arm Township, Charlevoix County, Michigan described as:

A parcel of land in the SW 1/4 of Section 29, T32N, R7W, described as follows: Beginning at the Southwest corner of said section and running thence North along the West line of said section 788.25 feet to a point which is 528 feet distant South of the South 1/8 line of said section as measured along the said West line of said section; thence N 89 degrees 30' 19" E, parallel with said South 1/8 line of said section 442.1 feet; thence South 788.15 feet to the South line of said section; thence S 89 degrees 29' 30" W, along said South line of said section 442.1 feet to the place of beginning.

CHEBOYGAN COUNTY

Certain land in Inverness Township, Cheboygan County, Michigan described as:

A parcel of land in the SW frl 1/4 of Section 31, T37N, R2W, described as beginning at the Northwest corner of the SW frl 1/4, running thence East on the East and West quarter line of said Section, 40 rods, thence South parallel to the West line of said Section 40 rods, thence West 40 rods to the West line of said Section, thence North 40 rods to the place of beginning.

CLARE COUNTY

Certain land in Frost Township, Clare County, Michigan described as:

The East 150 feet of the North 225 feet of the NW 1/4 of the NW 1/4 of Section 15, T20N, R4W.

CLINTON COUNTY

Certain land in Watertown Township, Clinton County, Michigan described as:

The NE 1/4 of the NE 1/4 of the SE 1/4 of Section 22, and the North 165 feet of the NW 1/4 of the NE 1/4 of the SE 1/4 of Section 22, T5N, R3W.

CRAWFORD COUNTY

Certain land in Lovells Township, Crawford County, Michigan described as:

A parcel of land in Section 1, T28N, R1W, described as: Commencing at NW corner said section; thence South 89 degrees53'30" East along North section line 105.78 feet to point of beginning; thence South 89 degrees53'30" East along North section line 649.64 feet; thence South 55 degrees 42'30" East 340.24 feet; thence South 55 degrees 44' 37"" East 5,061.81 feet to the East section line; thence South 00 degrees 00' 08"" West along East section line 441.59 feet; thence North 55 degrees 44' 37" West 5,310.48 feet; thence North 55 degrees 42'30" West 877.76 feet to point of beginning.

EATON COUNTY

Certain land in Eaton Township, Eaton County, Michigan described as:

A parcel of land in the SW 1/4 of Section 6, T2N, R4W, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence N 89 degrees 51' 30" E along the South line of said section 400 feet to the place of beginning of this description; thence continuing N 89 degrees 51' 30" E, 500 feet; thence N 00 degrees 50' 00" W, 600 feet; thence S 89 degrees 51' 30" W parallel with the South line of said section 500 feet; thence S 00 degrees 50' 00" E, 600 feet to the place of beginning.

EMMET COUNTY

Certain land in Wawatam Township, Emmet County, Michigan described as:

The West 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 23, T39N, R4W.

GENESEE COUNTY

Certain land in Argentine Township, Genesee County, Michigan described as:

A parcel of land of part of the SW 1/4 of Section 8, T5N, R5E, being more particularly described as follows:

Beginning at a point of the West line of Duffield Road, 100 feet wide, (as now established) distant 829.46 feet measured N01 degrees42'56"W and 50 feet measured S88 degrees14'04"W from the South quarter corner, Section 8, T5N, R5E; thence S88 degrees14'04"W a distance of 550 feet; thence N01 degrees42'56"W a distance of 500 feet to a point on the North line of the South half of the Southwest quarter of said Section 8; thence N88 degrees14'04"E along the North line of South half of the Southwest quarter of said Section 8 a distance 550 feet to a point on the West line of Duffield Road, 100 feet wide (as now established); thence S01 degrees42'56"E along the West line of said Duffield Road a distance of 500 feet to the point of beginning.

GLADWIN COUNTY

Certain land in Secord Township, Gladwin County, Michigan described as:

The East 400 feet of the South 450 feet of Section 2, T19N, R1E.

GRAND TRAVERSE COUNTY

Certain land in Mayfield Township, Grand Traverse County, Michigan described as:

A parcel of land in the Northwest 1/4 of Section 3, T25N, R11W, described as follows: Commencing at the Northwest corner of said section, running thence S 89 degrees19'15" E along the North line of said section and the center line of Clouss Road 225 feet, thence South 400 feet, thence N 89 degrees19'15" W 225 feet to the West line of said section and the center line of Hannah Road, thence North along the West line of said section and the center line of Hannah Road 400 feet to the place of beginning for this description.

GRATIOT COUNTY

Certain land in Fulton Township, Gratiot County, Michigan described as:

A parcel of land in the NE 1/4 of Section 7, Township 9 North, Range 3 West, described as beginning at a point on the North line of George Street in the Village of Middleton, which is 542 feet East of the North and South one-quarter (1/4) line of said Section 7; thence North 100 feet; thence East 100 feet; thence South 100 feet to the North line of George Street; thence West along the North line of George Street 100 feet to place of beginning.

HILLSDALE COUNTY

Certain land in Litchfield Village, Hillsdale County, Michigan described as:

Lot 238 of Assessors Plat of the Village of Litchfield.

HURON COUNTY

Certain easement rights located across land in Sebewaing Township, Huron County, Michigan described as:

The North 1/2 of the Northwest 1/4 of Section 15, T15N, R9E.

INGHAM COUNTY

Certain land in Vevay Township, Ingham County, Michigan described as:

A parcel of land 660 feet wide in the Southwest 1/4 of Section 7 lying South of the centerline of Sitts Road as extended to the North-South 1/4 line of said Section 7, T2N, R1W, more particularly described as follows: Commence at the Southwest corner of said Section 7, thence North along the West line of said Section 2502.71 feet to the centerline of Sitts Road; thence South 89 degrees54'45" East along said centerline 2282.38 feet to the place of beginning of this description; thence continuing South 89 degrees54'45" East along said centerline and said centerline extended 660.00 feet to the North-South 1/4 line of said section; thence South 00 degrees07'20" West 1461.71 feet; thence North 89 degrees34'58" West 660.00 feet; thence North 00 degrees07'20" East 1457.91 feet to the centerline of Sitts Road and the place of beginning.

IONIA COUNTY

Certain land in Sebewa Township, Ionia County, Michigan described as:

A strip of land 280 feet wide across that part of the SW 1/4 of the NE 1/4 of Section 15, T5N, R6W, described as follows:

To find the place of beginning of this description commence at the E 1/4 corner of said section; run thence N 00 degrees 05' 38" W along the East line of

said section, 1218.43 feet; thence S 67 degrees 18' 24" W, 1424.45 feet to the East 1/8 line of said section and the place of beginning of this description; thence continuing S 67 degrees 18' 24" W, 1426.28 feet to the North and South 1/4 line of said section at a point which said point is 105.82 feet distant N'ly of the center of said section as measured along said North and South 1/4 line of said section; thence N 00 degrees 04' 47" E along said North and South 1/4 line of said section, 303.67 feet; thence N 67 degrees 18' 24" E, 1425.78 feet to the East 1/8 line of said section; thence S 00 degrees 00' 26" E along said East 1/8 line of said section, 303.48 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R6W, from the E 1/4 corner of said section to the Northeast corner of said section assumed as N 00 degrees 05' 38" W.)

IOSCO COUNTY

Certain land in Alabaster Township, Iosco County, Michigan described as:

A parcel of land in the NW 1/4 of Section 34, T21N, R7E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence South along the North and South 1/4 line of said section, 1354.40 feet to the place of beginning of this description; thence continuing South along the said North and South 1/4 line of said section, 165.00 feet to a point on the said North and South 1/4 line of said section which said point is 1089.00 feet distant North of the center of said section; thence West 440.00 feet; thence North 165.00 feet; thence East 440.00 feet to the said North and South 1/4 line of said section and the place of beginning.

ISABELLA COUNTY

Certain land in Chippewa Township, Isabella County, Michigan described as:

The North 8 rods of the NE 1/4 of the SE 1/4 of Section 29, T14N, R3W.

JACKSON COUNTY

Certain land in Waterloo Township, Jackson County, Michigan described as:

A parcel of land in the North fractional part of the N fractional 1/2 of Section 2, T1S, R2E, described as follows: To find the place of beginning of this description commence at the E 1/4 post of said section; run thence N 01 degrees 03' 40" E along the East line of said section 1335.45 feet to the North 1/8 line of said section and the place of beginning of this description; thence N 89 degrees 32' 00" W, 2677.7 feet to the North and South 1/4 line of said section; thence S 00 degrees 59' 25" W along the North and South 1/4 line of said section 22.38 feet to the North 1/8 line of said section; thence S 89 degrees 59' 10" W along the North 1/8 line of said section 2339.4 feet to the center line of State Trunkline Highway M-52; thence N 53 degrees 46' 00" W along the center line of said State Trunkline Highway 414.22 feet to the West line of said section; thence N 00 degrees 55' 10" E along the West line of said section 74.35 feet; thence S 89

degrees 32' 00" E, 5356.02 feet to the East line of said section; thence S 01 degrees 03' 40" W along the East line of said section 250 feet to the place of beginning.

KALAMAZOO COUNTY

Certain land in Alamo Township, Kalamazoo County, Michigan described as:

The South 350 feet of the NW 1/4 of the NW 1/4 of Section 16, T1S, R12W, being more particularly described as follows: To find the place of beginning of this description, commence at the Northwest corner of said section; run thence S 00 degrees 36' 55" W along the West line of said section 971.02 feet to the place of beginning of this description; thence continuing S 00 degrees 36' 55" W along said West line of said section 350.18 feet to the North 1/8 line of said section; thence S 87 degrees 33' 40" E along the said North 1/8 line of said section 1325.1 feet to the West 1/8 line of said section; thence N 00 degrees 38' 25" E along the said West 1/8 line of said section 350.17 feet; thence N 87 degrees 33' 40" W, 1325.25 feet to the place of beginning.

KALKASKA COUNTY

Certain land in Kalkaska Township, Kalkaska County, Michigan described as:

The NW 1/4 of the SW 1/4 of Section 4, T27N, R7W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the Department of Conservation for the State of Michigan to George Welker and Mary Welker, his wife, dated October 9, 1934 and recorded December 28, 1934 in Liber 39 on page 291 of Kalkaska County Records, and subject to easement for pipeline purposes as granted to Michigan Consolidated Gas Company by first party herein on April 4, 1963 and recorded June 21, 1963 in Liber 91 on page 631 of Kalkaska County Records.

KENT COUNTY

Certain land in Caledonia Township, Kent County, Michigan described as:

A parcel of land in the Northwest fractional 1/4 of Section 15, T5N, R10W, described as follows: To find the place of beginning of this description commence at the North 1/4 corner of said section, run thence S 0 degrees 59' 26" E along the North and South 1/4 line of said section 2046.25 feet to the place of beginning of this description, thence continuing S 0 degrees 59' 26" E along said North and South 1/4 line of said section 332.88 feet, thence S 88 degrees 58' 30" W 2510.90 feet to a point herein designated "Point A" on the East bank of the Thornapple River, thence continuing S 88 degrees 53' 30" W to the center thread of the Thornapple River, thence NW'ly along the center thread of said Thornapple River to a point which said point is S 88 degrees 58' 30" W of a point on the East bank of the Thornapple River herein designated "Point B", said "Point B" being N

23 degrees 41' 35" W 360.75 feet from said above-described "Point A", thence N 88 degrees 58' 30" E to said "Point B", thence continuing N 88 degrees 58' 30" E 2650.13 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R10W between the East 1/4 corner of said section and the Northeast corner of said section assumed as N 0 degrees 59' 55" W.)

LAKE COUNTY

Certain land in Pinora and Cherry Valley Townships, Lake County, Michigan described as:

A strip of land 50 feet wide East and West along and adjoining the West line of highway on the East side of the North 1/2 of Section 13 T18N, R12W. Also a strip of land 100 feet wide East and West along and adjoining the East line of the highway on the West side of following described land: The South 1/2 of NW 1/4, and the South 1/2 of the NW 1/4 of the SW 1/4, all in Section 6, T18N, R11W.

LAPEER COUNTY

Certain land in Hadley Township, Lapeer County, Michigan described as:

The South 825 feet of the W 1/2 of the SW 1/4 of Section 24, T6N, R9E, except the West 1064 feet thereof.

LEELANAU COUNTY

Certain land in Cleveland Township, Leelanau County, Michigan described as:

The North 200 feet of the West 180 feet of the SW 1/4 of the SE 1/4 of Section 35, T29N, R13W.

LENAWEE COUNTY

Certain land in Madison Township, Lenawee County, Michigan described as:

A strip of land 165 feet wide off the West side of the following described premises: The E 1/2 of the SE 1/4 of Section 12. The E 1/2 of the NE 1/4 and the NE 1/4 of the SE 1/4 of Section 13, being all in T7S, R3E, excepting therefrom a parcel of land in the E 1/2 of the SE 1/4 of Section 12, T7S, R3E, beginning at the Northwest corner of said E 1/2 of the SE 1/4 of Section 12, running thence East 4 rods, thence South 6 rods, thence West 4 rods, thence North 6 rods to the place of beginning.

LIVINGSTON COUNTY

Certain land in Cohoctah Township, Livingston County, Michigan described as:

Parcel 1

The East 390 feet of the East 50 rods of the SW 1/4 of Section 30, T4N, R4E.

Parcel 2

A parcel of land in the NW 1/4 of Section 31, T4N, R4E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 13' 06" W along the North line of said section, 330 feet to the place of beginning of this description; running thence S 00 degrees 52' 49" W, 2167.87 feet; thence N 88 degrees 59' 49" W, 60 feet; thence N 00 degrees 52' 49" E, 2167.66 feet to the North line of said section; thence S 89 degrees 13' 06" E along said North line of said section, 60 feet to the place of beginning.

MACOMB COUNTY

Certain land in Macomb Township, Macomb County, Michigan described as:

A parcel of land commencing on the West line of the E 1/2 of the NW 1/4 of fractional Section 6, 20 chains South of the NW corner of said E 1/2 of the NW 1/4 of Section 6; thence South on said West line and the East line of A. Henry Kotner's Hayes Road Subdivision #15, according to the recorded plat thereof, as recorded in Liber 24 of Plats, on page 7, 24.36 chains to the East and West 1/4 line of said Section 6; thence East on said East and West 1/4 line 8.93 chains; thence North parallel with the said West line of the E 1/2 of the NW 1/4 of Section 6, 24.36 chains; thence West 8.93 chains to the place of beginning, all in T3N, R13E.

MANISTEE COUNTY

Certain land in Manistee Township, Manistee County, Michigan described as:

A parcel of land in the SW 1/4 of Section 20, T22N, R16W, described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section; run thence East along the South line of said section 832.2 feet to the place of beginning of this description; thence continuing East along said South line of said section 132 feet; thence North 198 feet; thence West 132 feet; thence South 198 feet to the place of beginning, excepting therefrom the South 2 rods thereof which was conveyed to Manistee Township for highway purposes by a Quitclaim Deed dated June 13, 1919 and recorded July 11, 1919 in Liber 88 of Deeds on page 638 of Manistee County Records.

MASON COUNTY

Certain land in Riverton Township, Mason County, Michigan described as:

Parcel 1

The South 10 acres of the West 20 acres of the S 1/2 of the NE 1/4 of Section 22, T17N, R17W.

Parcel 2

A parcel of land containing 4 acres of the West side of highway, said parcel of land being described as commencing 16 rods South of the Northwest corner of the NW 1/4 of the SW 1/4 of Section 22, T17N, R17W, running thence South 64 rods, thence NE'ly and N'ly and NW'ly along the W'ly line of said highway to the place of beginning, together with any and all right, title, and interest of Howard C. Wicklund and Katherine E. Wicklund in and to that portion of the hereinbefore mentioned highway lying adjacent to the E'ly line of said above described land.

MECOSTA COUNTY

Certain land in Wheatland Township, Mecosta County, Michigan described as:

A parcel of land in the SW 1/4 of the SW 1/4 of Section 16, T14N, R7W, described as beginning at the Southwest corner of said section; thence East along the South line of Section 133 feet; thence North parallel to the West section line 133 feet; thence West 133 feet to the West line of said Section; thence South 133 feet to the place of beginning.

MIDLAND COUNTY

Certain land in Ingersoll Township, Midland County, Michigan described as:

The West 200 feet of the W 1/2 of the NE 1/4 of Section 4, T13N, R2E.

MISSAUKEE COUNTY

Certain land in Norwich Township, Missaukee County, Michigan described as:

A parcel of land in the NW 1/4 of the NW 1/4 of Section 16, T24N, R6W, described as follows: Commencing at the Northwest corner of said section, running thence N 89 degrees 01' 45" E along the North line of said section 233.00 feet; thence South 233.00 feet; thence S 89 degrees 01' 45" W, 233.00 feet to the West line of said section; thence North along said West line of said section 233.00 feet to the place of beginning. (Bearings are based on the West line of Section 16, T24N, R6W, between the Southwest and Northwest corners of said section assumed as North.)

MONROE COUNTY

Certain land in Whiteford Township, Monroe County, Michigan described as:

A parcel of land in the SW 1/4 of Section 20, T8S, R6E, described as follows: To find the place of beginning of this description commence at the S 1/4 post of said section; run thence West along the South line of said section 1269.89 feet to the place of beginning of this description; thence continuing West along said South line of said section 100 feet; thence N 00 degrees 50' 35" E, 250 feet; thence East 100 feet; thence S 00 degrees 50' 35" W parallel with and 16.5 feet distant W'ly of as measured perpendicular to the West 1/8 line of said section, as occupied, a distance of 250 feet to the place of beginning.

MONTCALM COUNTY

Certain land in Crystal Township, Montcalm County, Michigan described as:

The N 1/2 of the S 1/2 of the SE 1/4 of Section 35, T10N, R5W.

MONTMORENCY COUNTY

Certain land in the Village of Hillman, Montmorency County, Michigan described as:

Lot 14 of Hillman Industrial Park, being a subdivision in the South 1/2 of the Northwest 1/4 of Section 24, T31N, R4E, according to the plat thereof recorded in Liber 4 of Plats on Pages 32-34, Montmorency County Records.

MUSKEGON COUNTY

Certain land in Casnovia Township, Muskegon County, Michigan described as:

The West 433 feet of the North 180 feet of the South 425 feet of the SW 1/4 of Section 3, T10N, R13W.

NEWAYGO COUNTY

Certain land in Ashland Township, Newaygo County, Michigan described as:

The West 250 feet of the NE 1/4 of Section 23, T11N, R13W.

OAKLAND COUNTY

Certain land in Wixcom City, Oakland County, Michigan described as:

The E 75 feet of the N 160 feet of the N 330 feet of the W 526.84 feet of the NW 1/4 of the NW 1/4 of Section 8, T1N, R8E, more particularly described as follows: Commence at the NW corner of said Section 8, thence N 87 degrees 14' 29" E along the North line of said Section 8 a distance of 451.84 feet to the place of beginning for this description; thence continuing N 87 degrees 14' 29" E along

said North section line a distance of 75.0 feet to the East line of the West 526.84 feet of the NW 1/4 of the NW 1/4 of said Section 8; thence S 02 degrees 37' 09" E along said East line a distance of 160.0 feet; thence S 87 degrees 14' 29" W a distance of 75.0 feet; thence N 02 degrees 37' 09" W a distance of 160.0 feet to the place of beginning.

OCEANA COUNTY

Certain land in Crystal Township, Oceana County, Michigan described as:

The East 290 feet of the SE 1/4 of the NW 1/4 and the East 290 feet of the NE 1/4 of the SW 1/4, all in Section 20, T16N, R16W.

OGEMAW COUNTY

Certain land in West Branch Township, Ogemaw County, Michigan described as:

The South 660 feet of the East 660 feet of the NE 1/4 of the NE 1/4 of Section 33, T22N, R2E.

OSCEOLA COUNTY

Certain land in Hersey Township, Osceola County, Michigan described as:

A parcel of land in the North 1/2 of the Northeast 1/4 of Section 13, T17N, R9W, described as commencing at the Northeast corner of said Section; thence West along the North Section line 999 feet to the point of beginning of this description; thence S 01 degrees 54' 20" E 1327.12 feet to the North 1/8 line; thence S 89 degrees 17' 05" W along the North 1/8 line 330.89 feet; thence N 01 degrees 54' 20" W 1331.26 feet to the North Section line; thence East along the North Section line 331 feet to the point of beginning.

OSCODA COUNTY

Certain land in Comins Township, Oscoda County, Michigan described as:

The East 400 feet of the South 580 feet of the W 1/2 of the SW 1/4 of Section 15, T27N, R3E.

OTSEGO COUNTY

Certain land in Corwith Township, Otsego County, Michigan described as:

Part of the NW 1/4 of the NE 1/4 of Section 28, T32N, R3W, described as: Beginning at the N 1/4 corner of said section; running thence S 89 degrees 04' 06" E along the North line of said section, 330.00 feet; thence S 00 degrees 28' 43" E, 400.00 feet; thence N 89 degrees 04' 06" W, 330.00 feet to the North and South 1/4 line of said section; thence N 00 degrees 28' 43" W along the said

North and South 1/4 line of said section, 400.00 feet to the point of beginning; subject to the use of the N'ly 33.00 feet thereof for highway purposes.

OTTAWA COUNTY

Certain land in Robinson Township, Ottawa County, Michigan described as:

The North 660 feet of the West 660 feet of the NE 1/4 of the NW 1/4 of Section 26, T7N, R15W.

PRESQUE ISLE COUNTY

Certain land in Belknap and Pulawski Townships, Presque Isle County, Michigan described as:

Part of the South half of the Northeast quarter, Section 24, T34N, R5E, and part of the Northwest quarter, Section 19, T34N, R6E, more fully described as: Commencing at the East 1/4 corner of said Section 24; thence N 00 degrees15'47" E, 507.42 feet, along the East line of said Section 24 to the point of beginning; thence S 88 degrees15'36" W, 400.00 feet, parallel with the North 1/8 line of said Section 24; thence N 00 degrees15'47" E, 800.00 feet, parallel with said East line of Section 24; thence N 88 degrees15'36"E, 800.00 feet, along said North 1/8 line of Section 24 and said line extended; thence S 00 degrees15'47" W, 800.00 feet, parallel with said East line of Section 24; thence S 88 degrees15'36" W, 400.00 feet, parallel with said North 1/8 line of Section 24 to the point of beginning.

Together with a 33 foot easement along the West 33 feet of the Northwest quarter lying North of the North 1/8 line of Section 24, Belknap Township, extended, in Section 19, T34N, R6E.

ROSCOMMON COUNTY

Certain land in Gerrish Township, Roscommon County, Michigan described as:

A parcel of land in the NW 1/4 of Section 19, T24N, R3W, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section, run thence East along the North line of said section 1,163.2 feet to the place of beginning of this description (said point also being the place of intersection of the West 1/8 line of said section with the North line of said section), thence S 01 degrees 01' E along said West 1/8 line 132 feet, thence West parallel with the North line of said section 132 feet, thence N 01 degrees 01' W parallel with said West 1/8 line of said section 132 feet to the North line of said section, thence East along the North line of said section 132 feet to the place of beginning.

SAGINAW COUNTY

Certain land in Chapin Township, Saginaw County, Michigan described as:

A parcel of land in the SW 1/4 of Section 13, T9N, R1E, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence North along the West line of said section 1581.4 feet to the place of beginning of this description; thence continuing North along said West line of said section 230 feet to the center line of a creek; thence S 70 degrees 07' 00" E along said center line of said creek 196.78 feet; thence South 163.13 feet; thence West 185 feet to the West line of said section and the place of beginning.

SANILAC COUNTY

Certain easement rights located across land in Minden Township, Sanilac County, Michigan described as:

The Southeast 1/4 of the Southeast 1/4 of Section 1, T14N, R14E, excepting therefrom the South 83 feet of the East 83 feet thereof.

SHIAWASSEE COUNTY

Certain land in Burns Township, Shiawassee County, Michigan described as:

The South 330 feet of the E 1/2 of the NE 1/4 of Section 36, T5N, R4E.

ST. CLAIR COUNTY

Certain land in Ira Township, St. Clair County, Michigan described as:

The N 1/2 of the NW 1/4 of the NE 1/4 of Section 6, T3N, R15E.

ST. JOSEPH COUNTY

Certain land in Mendon Township, St. Joseph County, Michigan described as:

The North 660 feet of the West 660 feet of the NW 1/4 of SW 1/4, Section 35, T5S, R10W.

TUSCOLA COUNTY

Certain land in Millington Township, Tuscola County, Michigan described as:

A strip of land 280 feet wide across the East 96 rods of the South 20 rods of the N 1/2 of the SE 1/4 of Section 34, T10N, R8E, more particularly described as commencing at the Northeast corner of Section 3, T9N, R8E, thence S 89 degrees 55' 35" W along the South line of said Section 34 a distance of 329.65 feet, thence N 18 degrees 11' 50" W a distance of 1398.67 feet to the South 1/8

line of said Section 34 and the place of beginning for this description; thence continuing N 18 degrees 11' 50" W a distance of 349.91 feet; thence N 89 degrees 57' 01" W a distance of 294.80 feet; thence S 18 degrees 11' 50" E a distance of 350.04 feet to the South 1/8 line of said Section 34; thence S 89 degrees 58' 29" E along the South 1/8 line of said section a distance of 294.76 feet to the place of beginning.

VAN BUREN COUNTY

Certain land in Covert Township, Van Buren County, Michigan described as:

All that part of the West 20 acres of the N 1/2 of the NE fractional 1/4 of Section 1, T2S, R17W, except the West 17 rods of the North 80 rods, being more particularly described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 29' 20" E along the North line of said section 280.5 feet to the place of beginning of this description; thence continuing N 89 degrees 29' 20" E along said North line of said section 288.29 feet; thence S 00 degrees 44' 00" E, 1531.92 feet; thence S 89 degrees 33' 30" W, 568.79 feet to the North and South 1/4 line of said section; thence N 00 degrees 44' 00" W along said North and South 1/4 line of said section 211.4 feet; thence N 89 degrees 29' 20" E, 280.5 feet; thence N 00 degrees 44' 00" W, 1320 feet to the North line of said section and the place of beginning.

WASHTENAW COUNTY

Certain land in Manchester Township, Washtenaw County, Michigan described as:

A parcel of land in the NE 1/4 of the NW 1/4 of Section 1, T4S, R3E, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section; run thence East along the North line of said section 1355.07 feet to the West 1/8 line of said section; thence S 00 degrees 22' 20" E along said West 1/8 line of said section 927.66 feet to the place of beginning of this description; thence continuing S 00 degrees 22' 20" E along said West 1/8 line of said section 660 feet to the North 1/8 line of said section; thence N 86 degrees 36' 57" E along said North 1/8 line of said section 660.91 feet; thence N 00 degrees22' 20" W, 660 feet; thence S 86 degrees 36' 57" W, 660.91 feet to the place of beginning.

WAYNE COUNTY

Certain land in Livonia City, Wayne County, Michigan described as:

Commencing at the Southeast corner of Section 6, T1S, R9E; thence North along the East line of Section 6 a distance of 253 feet to the point of beginning; thence continuing North along the East line of Section 6 a distance of 50 feet; thence Westerly parallel to the South line of Section 6, a distance of 215 feet; thence Southerly parallel to the East line of Section 6 a distance of 50 feet;

thence easterly parallel with the South line of Section 6 a distance of 215 feet to the point of beginning.

WEXFORD COUNTY

Certain land in Selma Township, Wexford County, Michigan described as:

A parcel of land in the NW 1/4 of Section 7, T22N, R10W, described as beginning on the North line of said section at a point 200 feet East of the West line of said section, running thence East along said North section line 450 feet, thence South parallel with said West section line 350 feet, thence West parallel with said North section line 450 feet, thence North parallel with said West section line 350 feet to the place of beginning.

SECTION 12. The Company is a transmitting utility under Section 9501(2) of the Michigan Uniform Commercial Code (M.C.L. 440.9501(2)) as defined in M.C.L. 440.9102(1)(aaaa).

IN WITNESS WHEREOF, said Consumers Energy Company has caused this Supplemental Indenture to be executed in its corporate name by its Chairman of the Board, President, a Vice President or its Treasurer and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and said JPMorgan Chase Bank, as Trustee as aforesaid, to evidence its acceptance hereof, has caused this Supplemental Indenture to be executed in its corporate name by a Vice President and its corporate seal to be hereunto affixed and to be attested by a Trust Officer, in several counterparts, all as of the day and year first above written.

CONSUMERS ENERGY COMPANY

(SEAL)

By /s/ Paul A. Stadnikia

Paul A. Stadnikia
Treasurer

Attest:

/s/ Joyce H. Norkey
- ----------------------------
Joyce H. Norkey
Assistant Secretary

Signed, sealed and delivered
by CONSUMERS ENERGY COMPANY
in the presence of

/s/ Kimberly C. Wilson
- ----------------------------
Kimberly C. Wilson

/s/ Sammie B. Dalton
- ----------------------------
Sammie B. Dalton

STATE OF MICHIGAN)
ss.
COUNTY OF JACKSON)

The foregoing instrument was acknowledged before me this 27th day of March, 2003, by Paul A. Stadnikia, Treasurer of CONSUMERS ENERGY COMPANY, a Michigan corporation, on behalf of the corporation.

/s/ Margaret Hillman

Margaret Hillman, Notary Public
Jackson County, Michigan
My Commission Expires: June 14, 2004

[Seal]

JPMORGAN CHASE BANK, AS TRUSTEE

(SEAL)

By /s/ L. O'Brien

L. O'Brien
Vice President

Attest:

/s/ Rosa Ciallia
- ----------------------------
Rosa Ciallia
Trust Officer

Signed, sealed and delivered
by JPMORGAN CHASE BANK
in the presence of

/s/ James D. Heaney
- ----------------------------
James D. Heaney
Vice President

/s/ William G. Keenan
- ----------------------------
William G. Keenan
Vice President

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 27th of March, 2003, by L. O'Brien, a Vice President of JPMORGAN CHASE BANK, a New York corporation, on behalf of the corporation.

/s/ Emily Fayan

Notary Public

[Seal]

New York County, New York
My Commission Expires:

Prepared by:
Kimberly C. Wilson
212 West Michigan Avenue
Jackson, MI 49201

When recorded, return to:
Consumers Energy Company
Business Services Real Estate Dept.
Attn: Nancy Fisher EP7-439
One Energy Plaza
Jackson, MI 49201

EXHIBIT 4(c)

EIGHTY-NINTH SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR

FIRST MORTGAGE BONDS,

COLLATERAL SERIES DUE 2006

DATED AS OF MARCH 28, 2003

CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,

TRUSTEE

Counterpart _____ of 80

THIS EIGHTY-NINTH SUPPLEMENTAL INDENTURE, dated as of March 28, 2003 (herein sometimes referred to as "this Supplemental Indenture"), made and entered into by and between CONSUMERS ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan, with its principal executive office and place of business at 212 West Michigan Avenue, in Jackson, Jackson County, Michigan 49201, formerly known as Consumers Power Company (hereinafter sometimes referred to as the "Company"), and JPMORGAN CHASE BANK, a corporation organized and existing under the laws of the State of New York, with its corporate trust offices at 4 New York Plaza, New York, New York 10004 (hereinafter sometimes referred to as the "Trustee"), as Trustee under the Indenture dated as of September 1, 1945 between Consumers Power Company, a Maine corporation (hereinafter sometimes referred to as the "Maine corporation"), and City Bank Farmers Trust Company (Citibank, N.A., successor, hereinafter sometimes referred to as the "Predecessor Trustee"), securing bonds issued and to be issued as provided therein (hereinafter sometimes referred to as the "Indenture"),

WHEREAS at the close of business on January 30, 1959, City Bank Farmers Trust Company was converted into a national banking association under the title "First National City Trust Company"; and

WHEREAS at the close of business on January 15, 1963, First National City Trust Company was merged into First National City Bank; and

WHEREAS at the close of business on October 31, 1968, First National City Bank was merged into The City Bank of New York, National Association, the name of which was thereupon changed to First National City Bank; and

WHEREAS effective March 1, 1976, the name of First National City Bank was changed to Citibank, N.A.; and

WHEREAS effective July 16, 1984, Manufacturers Hanover Trust Company succeeded Citibank, N.A. as Trustee under the Indenture; and

WHEREAS effective June 19, 1992, Chemical Bank succeeded by merger to Manufacturers Hanover Trust Company as Trustee under the Indenture; and

WHEREAS effective July 15, 1996, The Chase Manhattan Bank (National Association), merged with and into Chemical Bank which thereafter was renamed The Chase Manhattan Bank; and

WHEREAS effective November 11, 2001, The Chase Manhattan Bank merged with Morgan Guaranty Trust Company of New York and the surviving corporation was renamed JPMorgan Chase Bank; and

WHEREAS the Indenture was executed and delivered for the purpose of securing such bonds as may from time to time be issued under and in accordance with the terms of the Indenture, the aggregate principal amount of bonds to be secured thereby being limited to $5,000,000,000 at any one time outstanding (except as provided in Section 2.01 of the Indenture), and the Indenture describes and sets forth the property conveyed thereby and is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of

the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Indenture has been supplemented and amended by various indentures supplemental thereto, each of which is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Company and the Maine corporation entered into an Agreement of Merger and Consolidation, dated as of February 14, 1968, which provided for the Maine corporation to merge into the Company; and

WHEREAS the effective date of such Agreement of Merger and Consolidation was June 6, 1968, upon which date the Maine corporation was merged into the Company and the name of the Company was changed from "Consumers Power Company of Michigan" to "Consumers Power Company"; and

WHEREAS the Company and the Predecessor Trustee entered into a Sixteenth Supplemental Indenture, dated as of June 4, 1968, which provided, among other things, for the assumption of the Indenture by the Company; and

WHEREAS said Sixteenth Supplemental Indenture became effective on the effective date of such Agreement of Merger and Consolidation; and

WHEREAS the Company has succeeded to and has been substituted for the Maine corporation under the Indenture with the same effect as if it had been named therein as the mortgagor corporation; and

WHEREAS effective March 11, 1997, the name of Consumers Power Company was changed to Consumers Energy Company; and

WHEREAS, the Company has entered into a Term Loan Agreement dated as of March 28, 2003 (the "Term Loan Agreement") with various financial institutions and Citicorp North America, Inc., as administrative agent (in such capacity, the "Agent") for the Banks (as such term is defined in the Term Loan Agreement) providing for the making of certain financial accommodations thereunder, and pursuant to such Term Loan Agreement the Company has agreed to issue to the Agent, as evidence of and security for the Obligations (as such term is defined in the Term Loan Agreement), a new series of bonds under the Indenture; and

WHEREAS, for such purposes the Company desires to issue a new series of bonds, to be designated First Mortgage Bonds, Collateral Series due 2006, each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2006 Collateral Series Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified herein and are to mature March 28, 2006; and

WHEREAS, each of the registered bonds without coupons of the 2006 Collateral Series Bonds and the Trustee's Authentication Certificate thereon are to be substantially in the following form, to wit:

[FORM OF REGISTERED BOND OF THE 2006 COLLATERAL SERIES BONDS]

[FACE]

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
COLLATERAL SERIES DUE 2006

No. 1 $150,000,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Citicorp North America, Inc., as agent (in such capacity, the "Agent") for the Banks under and as defined in the Amended and Restated Term Loan Agreement dated as of March 28, 2003 among the Company, the Banks and the Agent (the "Term Loan Agreement"), or registered assigns, the principal sum of One Hundred Fifty Million Dollars ($150,000,000) or such lesser principal amount as shall be equal to the aggregate principal amount of the Term Loans (as defined in the Term Loan Agreement) included in the Obligations (as defined in the Term Loan Agreement) outstanding on March 28, 2006 (the "Maturity Date"), but not in excess, however, of the principal amount of this bond, and to pay interest thereon at the Interest Rate (as defined below) until the principal hereof is paid or duly made available for payment on the Maturity Date, or, in the event of redemption of this bond, until the redemption date, or, in the event of default in the payment of the principal hereof, until the Company's obligations with respect to the payment of such principal shall be discharged as provided in the Indenture (as defined on the reverse hereof). Interest on this bond shall be payable on each Interest Payment Date (as defined below), commencing on the first Interest Payment Date next succeeding March 28, 2003. If the Maturity Date falls on a day which is not a Business Day, as defined below, principal and any interest and/or fees payable with respect to the Maturity Date will be paid on the immediately preceding Business Day. The interest payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the person in whose name this bond (or one or more predecessor bonds) is registered at the close of business on the Record Date (as defined below); provided, however, that interest payable on the Maturity Date will be payable to the person to whom the principal hereof shall be payable. Should the Company default in the payment of interest ("Defaulted Interest"), the Defaulted Interest shall be paid to the person in whose name this bond (or one or more predecessor bonds) is registered on a subsequent record date fixed by the Company, which subsequent record date shall be fifteen (15) days prior to the payment of such Defaulted Interest. As used herein, (A) "Business Day" shall mean any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system; (B) "Interest Payment Date" shall mean each date on which interest and/or fees under the Term Loan Agreement are due and payable from time to time pursuant to the Term Loan Agreement; (C) "Interest Rate" shall mean a rate of interest per annum, adjusted as necessary, to result in an interest payment equal to the aggregate amount of interest and fees due under the Term Loan Agreement on the applicable Interest Payment Date; and (D) "Record Date" with respect to any Interest Payment Date shall mean the day (whether or not a Business Day) immediately next preceding such Interest Payment Date.

Payment of the principal of and interest on this bond will be made in immediately available funds at the office or agency of the Company maintained for that purpose in the City of Jackson, Michigan, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By: ________________________________
Printed: ___________________________
Title: _____________________________

Attest: __________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within- mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By___________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
COLLATERAL SERIES DUE 2006

This bond is one of the bonds of a series designated as First Mortgage Bonds, Collateral Series due 2006 (sometimes herein referred to as the "2006 Collateral Series Bonds") issued under and in accordance with and secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2006 Collateral Series Bonds are to be issued and delivered to the Agent in order evidence and secure the obligation of the Company under the Term Loan Agreement to make payments to the Banks under the Term Loan Agreement and to provide the Banks the benefit of the lien of the Indenture with respect to the 2006 Collateral Series Bonds.

The obligation of the Company to make payments with respect to the principal of 2006 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the principal of the Term Loans, a corresponding payment obligation with respect to the principal of the 2006 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The obligation of the Company to make payments with respect to the interest on 2006 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due interest and/or fees on the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the interest and/or fees on the Term Loans, a corresponding payment obligation with respect to the interest on the 2006 Collateral Series

Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on this bond, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2006 Collateral Series Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Term Loan Agreement, and (iii) the amount of the arrearage.

If an Event of Default (as defined in the Term Loan Agreement) with respect to the payment of the principal of any Term Loans shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the principal of the 2006 Collateral Series Bonds equal to the amount of such unpaid principal (but in no event in excess of the principal amount of the 2006 Collateral Series Bonds). If an Event of Default (as defined in the Term Loan Agreement) with respect to the payment of interest on any Term Loans or fees shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the interest on the 2006 Collateral Series Bonds equal to the amount of such unpaid interest or fees.

This bond is not redeemable except upon written demand of the Agent following the occurrence of an Event of Default under the Term Loan Agreement and the acceleration of the Obligations, as provided in Section 9.2 of the Term Loan Agreement. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2006 Collateral Series Bonds or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

The Agent shall surrender this bond to the Trustee when all of the principal of and interest on the Term Loans arising under the Term Loan Agreement, and all of the fees payable pursuant to the Term Loan Agreement, shall have been duly paid, and the Term Loan Agreement shall have been terminated.

[END OF FORM OF REGISTERED BOND OF THE 2006 COLLATERAL SERIES BONDS]

AND WHEREAS all acts and things necessary to make the 2006 Collateral Series Bonds, when duly executed by the Company and authenticated by the Trustee or its agent and issued as prescribed in the Indenture, as heretofore supplemented and amended, and this Supplemental Indenture provided, the valid, binding and legal obligations of the Company, and to constitute the Indenture, as supplemented and amended as aforesaid, as well as by this Supplemental Indenture, a valid, binding and legal instrument for the security thereof, have been done and performed, and the creation, execution and delivery of this Supplemental Indenture and the creation, execution and issuance of bonds subject to the terms hereof and of the Indenture, as so supplemented and amended, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, of the acceptance and purchase by the holders thereof of the bonds issued and to be issued under the Indenture, as supplemented and amended as above set forth, and of the sum of One Dollar duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and premium, if any, and interest on all bonds now outstanding under the Indenture and the $150,000,000 principal amount of the 2006 Collateral Series Bonds proposed to be issued initially and all other bonds which shall be issued under the Indenture, as supplemented and amended from time to time, and for the purpose of securing the faithful performance and observance of all covenants and conditions therein, and in any indenture supplemental thereto, set forth, the Company has given, granted, bargained, sold, released, transferred, assigned, hypothecated, pledged, mortgaged, confirmed, set over, warranted, alienated and conveyed and by these presents does give, grant, bargain, sell, release, transfer, assign, hypothecate, pledge, mortgage, confirm, set over, warrant, alien and convey unto JPMorgan Chase Bank, as Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created and to its or their assigns forever, all the right, title and interest of the Company in and to all the property, described in Section 11 hereof, together (subject to the provisions of Article X of the Indenture) with the tolls, rents, revenues, issues, earnings, income, products and profits thereof, excepting, however, the property, interests and rights specifically excepted from the lien of the Indenture as set forth in the Indenture;

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the premises, property, franchises and rights, or any thereof, referred to in the foregoing granting clause, with the reversion and reversions, remainder and remainders and (subject to the provisions of Article X of the Indenture) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, franchises and rights and every part and parcel thereof;

SUBJECT, HOWEVER, with respect to such premises, property, franchises and rights, to excepted encumbrances as said term is defined in Section 1.02 of the Indenture, and subject also to all defects and limitations of title and to all encumbrances existing at the time of acquisition. TO HAVE AND TO HOLD all said premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale for the equal and proportionate benefit and security of the holders of all bonds now or hereafter authenticated and delivered under and secured by the Indenture and interest coupons appurtenant thereto, pursuant to the provisions of the Indenture and of any supplemental indenture, and for the enforcement of the payment of said bonds and coupons when payable and the performance of and compliance with the covenants and conditions of the Indenture and of any supplemental indenture, without any preference, distinction or priority as to lien or otherwise of any bond or bonds over others by reason of the difference in time of the actual authentication, delivery, issue, sale or negotiation thereof or for any other reason whatsoever, except as otherwise expressly provided in the Indenture; and so that each and every bond now or hereafter authenticated and delivered thereunder shall have the same lien, and so that the principal of and premium, if any, and interest on every such bond shall, subject to the terms thereof, be equally and proportionately secured, as if it had been made, executed, authenticated, delivered, sold and negotiated simultaneously with the execution and delivery thereof;

AND IT IS EXPRESSLY DECLARED by the Company that all bonds authenticated and delivered under and secured by the Indenture, as supplemented and amended as above set forth, are to be issued, authenticated and delivered, and all said premises, property, franchises and rights hereby and by the Indenture and indentures supplemental thereto conveyed, assigned, pledged or mortgaged, or intended so to be, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in the Indenture, as supplemented and amended as above set forth, and the parties hereto mutually agree as follows:

SECTION 1. There is hereby created one series of bonds (the "2006 Collateral Series Bonds") designated as hereinabove provided, which shall also bear the descriptive title "First Mortgage Bond", and the form thereof shall be substantially as hereinbefore set forth (the "Sample Bond"). The 2006 Collateral Series Bonds shall be issued in the aggregate principal amount of $150,000,000, shall mature on March 28, 2006 and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The serial numbers of the 2006 Collateral Series Bonds shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2006 Collateral Series Bonds are to be issued to and registered in the name of the Agent under the Term Loan Agreement (as such terms are defined in the Sample Bond) to evidence and secure any and all Obligations (as such term is defined in the Term Loan Agreement) of the Company under the Term Loan Agreement.

The 2006 Collateral Series Bonds shall bear interest as set forth in the Sample Bond. The principal of and the interest on said bonds shall be payable as set forth in the Sample Bond.

The obligation of the Company to make payments with respect to the principal of 2006 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the principal of the Term Loans, a corresponding payment obligation with respect to the principal of the 2006 Collateral Series Bonds shall be deemed discharged in the

same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The obligation of the Company to make payments with respect to the interest on 2006 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due interest and/or fees on the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the interest and/or fees on the Term Loans, a corresponding payment obligation with respect to the interest on the 2006 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on the 2006 Collateral Series Bonds, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2006 Collateral Series Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Term Loan Agreement, and (iii) the amount of the arrearage.

The 2006 Collateral Series Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 2. The 2006 Collateral Series Bonds are not redeemable by the operation of the maintenance and replacement provisions of this Indenture or with the proceeds of released property.

SECTION 3. Upon the occurrence of an Event of Default under the Term Loan Agreement and the acceleration of the Obligations, the 2006 Collateral Series Bonds shall be redeemable in whole upon receipt by the Trustee of a written demand from the Agent stating that there has occurred under the Term Loan Agreement both an Event of Default and a declaration of acceleration of the Obligations and demanding redemption of the 2006 Collateral Series Bonds (including a description of the amount of principal, interest and fees which comprise such Obligations). The Company waives any right it may have to prior notice of such redemption under the Indenture. Upon surrender of the 2006 Collateral Series Bonds by the Agent to the Trustee, the 2006 Collateral Series Bonds shall be redeemed at a redemption price equal to the aggregate amount of the Obligations.

SECTION 4. The Company reserves the right, without any consent, vote or other action by the holder of the 2006 Collateral Series Bonds or of any subsequent series of bonds issued under the Indenture, to make such amendments to the Indenture, as supplemented, as shall be necessary in order to amend Section 17.02 to read as follows:

SECTION 17.02. With the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding or their attorneys-in-fact duly authorized, or, if fewer than all series are affected, not less than a majority in principal amount of the bonds at the time outstanding of each series the rights of the holders of which are affected, voting together, the Company, when authorized by a resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or modifying the rights and obligations of the Company and the rights of the holders of any of the bonds and coupons; provided, however, that no such supplemental indenture shall (1) extend the maturity of any of the bonds or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected, or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the bonds then outstanding, or (3) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the bonds then outstanding. For the purposes of this Section, bonds shall be deemed to be affected by a supplemental indenture if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against its property. The Trustee may in its discretion determine whether or not, in accordance with the foregoing, bonds of any particular series would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of bonds of such series and all other series. Subject to the provisions of Sections 16.02 and 16.03 hereof, the Trustee shall not be liable for any determination made in good faith in connection herewith.

Upon the written request of the Company, accompanied by a resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of bondholders as aforesaid (the instrument or instruments evidencing such consent to be dated within one year of such request), the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Company and the Trustee, if they so elect, and either before or after such consent has been obtained, may require the holder of any bond consenting to the execution of any such supplemental indenture to submit his bond to the Trustee or to ask such bank, banker or trust company as may be designated by the Trustee

for the purpose, for the notation thereon of the fact that the holder of such bond has consented to the execution of such supplemental indenture, and in such case such notation, in form satisfactory to the Trustee, shall be made upon all bonds so submitted, and such bonds bearing such notation shall forthwith be returned to the persons entitled thereto.

Prior to the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in one daily newspaper of general circulation in each city in which the principal of any of the bonds shall be payable, or, if all bonds outstanding shall be registered bonds without coupons or coupon bonds registered as to principal, such notice shall be sufficiently given if mailed, first class, postage prepaid, and registered if the Company so elects, to each registered holder of bonds at the last address of such holder appearing on the registry books, such publication or mailing, as the case may be, to be made not less than thirty days prior to such execution. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 5. As supplemented and amended as above set forth, the Indenture is in all respects ratified and confirmed, and the Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 6. Nothing contained in this Supplemental Indenture shall, or shall be construed to, confer upon any person other than a holder of bonds issued under the Indenture, as supplemented and amended as above set forth, the Company, the Trustee and the Agent, for the benefit of the Banks (as such term is defined in the Term Loan Agreement), any right or interest to avail himself of any benefit under any provision of the Indenture, as so supplemented and amended.

SECTION 7. The Trustee assumes no responsibility for or in respect of the validity or sufficiency of this Supplemental Indenture or of the Indenture as hereby supplemented or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein (other than those contained in the sixth, seventh and eighth recitals hereof), all of which recitals and statements are made solely by the Company.

SECTION 8. This Supplemental Indenture may be simultaneously executed in several counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

SECTION 9. In the event the date of any notice required or permitted hereunder shall not be a Business Day, then (notwithstanding any other provision of the Indenture or of any supplemental indenture thereto) such notice need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for such notice. "Business Day" means, with respect to this Section 9, any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York for the conduct

of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system.

SECTION 10. This Supplemental Indenture and the 2006 Collateral Series Bonds shall be governed by and deemed to be a contract under, and construed in accordance with, the laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

SECTION 11. Detailed Description of Property Mortgaged:

I.

ELECTRIC GENERATING PLANTS AND DAMS

All the electric generating plants and stations of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including all powerhouses, buildings, reservoirs, dams, pipelines, flumes, structures and works and the land on which the same are situated and all water rights and all other lands and easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such plants and stations or any of them, or adjacent thereto.

II.

ELECTRIC TRANSMISSION LINES

All the electric transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including towers, poles, pole lines, wires, switches, switch racks, switchboards, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation. Also all the real property, rights of way, easements, permits, privileges and rights for or relating to the construction, maintenance or operation of certain transmission lines, the land and rights for which are owned by the Company, which are either not built or now being constructed.

III.

ELECTRIC DISTRIBUTION SYSTEMS

All the electric distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including substations, transformers, switchboards,

towers, poles, wires, insulators, subways, trenches, conduits, manholes, cables, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IV.

ELECTRIC SUBSTATIONS, SWITCHING STATIONS AND SITES

All the substations, switching stations and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for transforming, regulating, converting or distributing or otherwise controlling electric current at any of its plants and elsewhere, together with all buildings, transformers, wires, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such substations and switching stations, or adjacent thereto, with sites to be used for such purposes.

V.

GAS COMPRESSOR STATIONS, GAS PROCESSING PLANTS, DESULPHURIZATION STATIONS, METERING STATIONS, ODORIZING STATIONS, REGULATORS AND SITES

All the compressor stations, processing plants, desulphurization stations, metering stations, odorizing stations, regulators and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for compressing, processing, desulphurizing, metering, odorizing and regulating manufactured or natural gas at any of its plants and elsewhere, together with all buildings, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such purposes, with sites to be used for such purposes.

VI.

GAS STORAGE FIELDS

The natural gas rights and interests of the Company, including wells and well lines (but not including natural gas, oil and minerals), the gas gathering system, the underground gas storage rights, the underground gas storage wells and injection and withdrawal system used in connection therewith, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture: In the Overisel Gas Storage Field, located in the Township of Overisel, Allegan County, and in the Township of Zeeland, Ottawa County, Michigan; in the Northville Gas Storage Field located

in the Township of Salem, Washtenaw County, Township of Lyon, Oakland County, and the Townships of Northville and Plymouth and City of Plymouth, Wayne County, Michigan; in the Salem Gas Storage Field, located in the Township of Salem, Allegan County, and in the Township of Jamestown, Ottawa County, Michigan; in the Ray Gas Storage Field, located in the Townships of Ray and Armada, Macomb County, Michigan; in the Lenox Gas Storage Field, located in the Townships of Lenox and Chesterfield, Macomb County, Michigan; in the Ira Gas Storage Field, located in the Township of Ira, St. Clair County, Michigan; in the Puttygut Gas Storage Field, located in the Township of Casco, St. Clair County, Michigan; in the Four Corners Gas Storage Field, located in the Townships of Casco, China, Cottrellville and Ira, St. Clair County, Michigan; in the Swan Creek Gas Storage Field, located in the Township of Casco and Ira, St. Clair County, Michigan; and in the Hessen Gas Storage Field, located in the Townships of Casco and Columbus, St. Clair, Michigan.

VII.

GAS TRANSMISSION LINES

All the gas transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including gas mains, pipes, pipelines, gates, valves, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, right of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

VIII.

GAS DISTRIBUTION SYSTEMS

All the gas distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including tunnels, conduits, gas mains and pipes, service pipes, fittings, gates, valves, connections, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IX.

OFFICE BUILDINGS, SERVICE BUILDINGS, GARAGES, ETC.

All office, garage, service and other buildings of the Company, wherever located, in the State of Michigan, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, together with the land on which the same are situated and all easements, rights of way and appurtenances to said lands, together with all furniture and fixtures located in said buildings.

X.

TELEPHONE PROPERTIES AND
RADIO COMMUNICATION EQUIPMENT

All telephone lines, switchboards, systems and equipment of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, used or available for use in the operation of its properties, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such telephone properties or any of them or adjacent thereto; together with all real estate, rights of way, easements, permits, privileges, franchises, property, devices or rights related to the dispatch, transmission, reception or reproduction of messages, communications, intelligence, signals, light, vision or sound by electricity, wire or otherwise, including all telephone equipment installed in buildings used as general and regional offices, substations and generating stations and all telephone lines erected on towers and poles; and all radio communication equipment of the Company, together with all property, real or personal (except any in the Indenture expressly excepted), fixed stations, towers, auxiliary radio buildings and equipment, and all appurtenances used in connection therewith, wherever located, in the State of Michigan.

XI.

OTHER REAL PROPERTY

All other real property of the Company and all interests therein, of every nature and description (except any in the Indenture expressly excepted) wherever located, in the State of Michigan, acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture. Such real property includes but is not limited to the following described property, such property is subject to any interests that were excepted or reserved in the conveyance to the Company:

ALCONA COUNTY

Certain land in Caledonia Township, Alcona County, Michigan described as:

> The East 330 feet of the South 660 feet of the SW 1/4 of the SW 1/4 of Section 8, T28N, R8E, except the West 264 feet of the South 330 feet thereof; said land being more particularly described as follows: To find the place of

beginning of this description, commence at the Southwest corner of said section, run thence East along the South line of said section 1243 feet to the place of beginning of this description, thence continuing East along said South line of said section 66 feet to the West 1/8 line of said section, thence N 02 degrees 09' 30" E along the said West 1/8 line of said section 660 feet, thence West 330 feet, thence S 02 degrees 09' 30" W, 330 feet, thence East 264 feet, thence S 02 degrees 09' 30" W, 330 feet to the place of beginning.

ALLEGAN COUNTY

Certain land in Lee Township, Allegan County, Michigan described as:

The NE 1/4 of the NW 1/4 of Section 16, T1N, R15W.

ALPENA COUNTY

Certain land in Wilson and Green Townships, Alpena County, Michigan described as:

All that part of the S'ly 1/2 of the former Boyne City-Gaylord and Alpena Railroad right of way, being the Southerly 50 feet of a 100 foot strip of land formerly occupied by said Railroad, running from the East line of Section 31, T31N, R7E, Southwesterly across said Section 31 and Sections 5 and 6 of T30N, R7E and Sections 10, 11 and the E 1/2 of Section 9, except the West 1646 feet thereof, all in T30N, R6E.

ANTRIM COUNTY

Certain land in Mancelona Township, Antrim County, Michigan described as:

The S 1/2 of the NE 1/4 of Section 33, T29N, R6W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the State of Michigan to August W. Schack and Emma H. Schack, his wife, dated April 15, 1946 and recorded May 20, 1946 in Liber 97 of Deeds on page 682 of Antrim County Records.

ARENAC COUNTY

Certain land in Standish Township, Arenac County, Michigan described as:

A parcel of land in the SW 1/4 of the NW 1/4 of Section 12, T18N, R4E, described as follows: To find the place of beginning of said parcel of land, commence at the Northwest corner of Section 12, T18N, R4E; run thence South along the West line of said section, said West line of said section being also the center line of East City Limits Road 2642.15 feet to the W 1/4 post of said section and the place of beginning of said parcel of land; running thence N 88 degrees 26' 00" E along the East and West 1/4 line of said section, 660.0 feet; thence North parallel with the West line of said section, 310.0 feet; thence S 88 degrees 26' 00"

W, 330.0 feet; thence South parallel with the West line of said section, 260.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet to the West line of said section and the center line of East City Limits Road; thence South along the said West line of said section, 50.0 feet to the place of beginning.

BARRY COUNTY

Certain land in Johnstown Township, Barry County, Michigan described as:

A strip of land 311 feet in width across the SW 1/4 of the NE 1/4 of Section 31, T1N, R8W, described as follows: To find the place of beginning of this description, commence at the E 1/4 post of said section; run thence N 00 degrees 55' 00" E along the East line of said section, 555.84 feet; thence N 59 degrees 36' 20" W, 1375.64 feet; thence N 88 degrees 30' 00" W, 130 feet to a point on the East 1/8 line of said section and the place of beginning of this description; thence continuing N 88 degrees 30' 00" W, 1327.46 feet to the North and South 1/4 line of said section; thence S 00 degrees 39'35" W along said North and South 1/4 line of said section, 311.03 feet to a point, which said point is 952.72 feet distant N'ly from the East and West 1/4 line of said section as measured along said North and South 1/4 line of said section; thence S 88 degrees 30' 00" E, 1326.76 feet to the East 1/8 line of said section; thence N 00 degrees 47' 20" E along said East 1/8 line of said section, 311.02 feet to the place of beginning.

BAY COUNTY

Certain land in Frankenlust Township, Bay County, Michigan described as:

The South 250 feet of the N 1/2 of the W 1/2 of the W 1/2 of the SE 1/4 of Section 9, T13N, R4E.

BENZIE COUNTY

Certain land in Benzonia Township, Benzie County, Michigan described as:

A parcel of land in the Northeast 1/4 of Section 7, Township 26 North, Range 14 West, described as beginning at a point on the East line of said Section 7, said point being 320 feet North measured along the East line of said section from the East 1/4 post; running thence West 165 feet; thence North parallel with the East line of said section 165 feet; thence East 165 feet to the East line of said section; thence South 165 feet to the place of beginning.

BRANCH COUNTY

Certain land in Girard Township, Branch County, Michigan described as:

A parcel of land in the NE 1/4 of Section 23 T5S, R6W, described as beginning at a point on the North and South quarter line of said section at a point

1278.27 feet distant South of the North quarter post of said section, said distance being measured along the North and South quarter line of said section, running thence S89 degrees21'E 250 feet, thence North along a line parallel with the said North and South quarter line of said section 200 feet, thence N89 degrees21'W 250 feet to the North and South quarter line of said section, thence South along said North and South quarter line of said section 200 feet to the place of beginning.

CALHOUN COUNTY

Certain land in Convis Township, Calhoun County, Michigan described as:

A parcel of land in the SE 1/4 of the SE 1/4 of Section 32, T1S, R6W, described as follows: To find the place of beginning of this description, commence at the Southeast corner of said section; run thence North along the East line of said section 1034.32 feet to the place of beginning of this description; running thence N 89 degrees 39' 52" W, 333.0 feet; thence North 290.0 feet to the South 1/8 line of said section; thence S 89 degrees 39' 52" E along said South 1/8 line of said section 333.0 feet to the East line of said section; thence South along said East line of said section 290.0 feet to the place of beginning. (Bearings are based on the East line of Section 32, T1S, R6W, from the Southeast corner of said section to the Northeast corner of said section assumed as North.)

CASS COUNTY

Certain easement rights located across land in Marcellus Township, Cass County, Michigan described as:

The East 6 rods of the SW 1/4 of the SE 1/4 of Section 4, T5S, R13W.

CHARLEVOIX COUNTY

Certain land in South Arm Township, Charlevoix County, Michigan described as:

A parcel of land in the SW 1/4 of Section 29, T32N, R7W, described as follows: Beginning at the Southwest corner of said section and running thence North along the West line of said section 788.25 feet to a point which is 528 feet distant South of the South 1/8 line of said section as measured along the said West line of said section; thence N 89 degrees 30' 19" E, parallel with said South 1/8 line of said section 442.1 feet; thence South 788.15 feet to the South line of said section; thence S 89 degrees 29' 30" W, along said South line of said section 442.1 feet to the place of beginning.

CHEBOYGAN COUNTY

Certain land in Inverness Township, Cheboygan County, Michigan described as:

A parcel of land in the SW frl 1/4 of Section 31, T37N, R2W, described as beginning at the Northwest corner of the SW frl 1/4, running thence East on the East and West quarter line of said Section, 40 rods, thence South parallel to the West line of said Section 40 rods, thence West 40 rods to the West line of said Section, thence North 40 rods to the place of beginning.

CLARE COUNTY

Certain land in Frost Township, Clare County, Michigan described as:

The East 150 feet of the North 225 feet of the NW 1/4 of the NW 1/4 of Section 15, T20N, R4W.

CLINTON COUNTY

Certain land in Watertown Township, Clinton County, Michigan described as:

The NE 1/4 of the NE 1/4 of the SE 1/4 of Section 22, and the North 165 feet of the NW 1/4 of the NE 1/4 of the SE 1/4 of Section 22, T5N, R3W.

CRAWFORD COUNTY

Certain land in Lovells Township, Crawford County, Michigan described as:

A parcel of land in Section 1, T28N, R1W, described as: Commencing at NW corner said section; thence South 89 degrees53'30" East along North section line 105.78 feet to point of beginning; thence South 89 degrees53'30" East along North section line 649.64 feet; thence South 55 degrees 42'30" East 340.24 feet; thence South 55 degrees 44' 37"" East 5,061.81 feet to the East section line; thence South 00 degrees 00' 08"" West along East section line 441.59 feet; thence North 55 degrees 44' 37" West 5,310.48 feet; thence North 55 degrees 42'30" West 877.76 feet to point of beginning.

EATON COUNTY

Certain land in Eaton Township, Eaton County, Michigan described as:

A parcel of land in the SW 1/4 of Section 6, T2N, R4W, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence N 89 degrees 51' 30" E along the South line of said section 400 feet to the place of beginning of this description; thence continuing N 89 degrees 51' 30" E, 500 feet; thence N 00 degrees 50' 00" W, 600 feet; thence S 89 degrees 51' 30" W parallel with the South line of said

section 500 feet; thence S 00 degrees 50' 00" E, 600 feet to the place of beginning.

EMMET COUNTY

Certain land in Wawatam Township, Emmet County, Michigan described as:

The West 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 23, T39N, R4W.

GENESEE COUNTY

Certain land in Argentine Township, Genesee County, Michigan described as:

A parcel of land of part of the SW 1/4 of Section 8, T5N, R5E, being more particularly described as follows:

Beginning at a point of the West line of Duffield Road, 100 feet wide, (as now established) distant 829.46 feet measured N01 degrees42'56"W and 50 feet measured S88 degrees14'04"W` from the South quarter corner, Section 8, T5N, R5E; thence S88 degrees14'04"W a distance of 550 feet; thence N01 degrees42'56"W a distance of 500 feet to a point on the North line of the South half of the Southwest quarter of said Section 8; thence N88 degrees14'04"E along the North line of South half of the Southwest quarter of said Section 8 a distance 550 feet to a point on the West line of Duffield Road, 100 feet wide (as now established); thence S01 degrees42'56"E along the West line of said Duffield Road a distance of 500 feet to the point of beginning.

GLADWIN COUNTY

Certain land in Secord Township, Gladwin County, Michigan described as:

The East 400 feet of the South 450 feet of Section 2, T19N, R1E.

GRAND TRAVERSE COUNTY

Certain land in Mayfield Township, Grand Traverse County, Michigan described as:

A parcel of land in the Northwest 1/4 of Section 3, T25N, R11W, described as follows: Commencing at the Northwest corner of said section, running thence S 89 degrees19'15" E along the North line of said section and the center line of Clouss Road 225 feet, thence South 400 feet, thence N 89 degrees19'15" W 225 feet to the West line of said section and the center line of Hannah Road, thence North along the West line of said section and the center line of Hannah Road 400 feet to the place of beginning for this description.

GRATIOT COUNTY

Certain land in Fulton Township, Gratiot County, Michigan described as:

A parcel of land in the NE 1/4 of Section 7, Township 9 North, Range 3 West, described as beginning at a point on the North line of George Street in the Village of Middleton, which is 542 feet East of the North and South one-quarter (1/4) line of said Section 7; thence North 100 feet; thence East 100 feet; thence South 100 feet to the North line of George Street; thence West along the North line of George Street 100 feet to place of beginning.

HILLSDALE COUNTY

Certain land in Litchfield Village, Hillsdale County, Michigan described as:

Lot 238 of Assessors Plat of the Village of Litchfield.

HURON COUNTY

Certain easement rights located across land in Sebewaing Township, Huron County, Michigan described as:

The North 1/2 of the Northwest 1/4 of Section 15, T15N, R9E.

INGHAM COUNTY

Certain land in Vevay Township, Ingham County, Michigan described as:

A parcel of land 660 feet wide in the Southwest 1/4 of Section 7 lying South of the centerline of Sitts Road as extended to the North-South 1/4 line of said Section 7, T2N, R1W, more particularly described as follows: Commence at the Southwest corner of said Section 7, thence North along the West line of said Section 2502.71 feet to the centerline of Sitts Road; thence South 89 degrees54'45" East along said centerline 2282.38 feet to the place of beginning of this description; thence continuing South 89 degrees54'45" East along said centerline and said centerline extended 660.00 feet to the North-South 1/4 line of said section; thence South 00 degrees07'20" West 1461.71 feet; thence North 89 degrees34'58" West 660.00 feet; thence North 00 degrees07'20" East 1457.91 feet to the centerline of Sitts Road and the place of beginning.

IONIA COUNTY

Certain land in Sebewa Township, Ionia County, Michigan described as:

A strip of land 280 feet wide across that part of the SW 1/4 of the NE 1/4 of Section 15, T5N, R6W, described as follows:

To find the place of beginning of this description commence at the E 1/4 corner of said section; run thence N 00 degrees 05' 38" W along the East line of said section, 1218.43 feet; thence S 67 degrees 18' 24" W, 1424.45 feet to the East 1/8 line of said section and the place of beginning of this description; thence continuing S 67 degrees 18' 24" W, 1426.28 feet to the North and South 1/4 line of said section at a point which said point is 105.82 feet distant N'ly of the center of said section as measured along said North and South 1/4 line of said section; thence N 00 degrees 04' 47" E along said North and South 1/4 line of said section, 303.67 feet; thence N 67 degrees 18' 24" E, 1425.78 feet to the East 1/8 line of said section; thence S 00 degrees 00' 26" E along said East 1/8 line of said section, 303.48 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R6W, from the E 1/4 corner of said section to the Northeast corner of said section assumed as N 00 degrees 05' 38" W.)

IOSCO COUNTY

Certain land in Alabaster Township, Iosco County, Michigan described as:

A parcel of land in the NW 1/4 of Section 34, T21N, R7E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence South along the North and South 1/4 line of said section, 1354.40 feet to the place of beginning of this description; thence continuing South along the said North and South 1/4 line of said section, 165.00 feet to a point on the said North and South 1/4 line of said section which said point is 1089.00 feet distant North of the center of said section; thence West 440.00 feet; thence North 165.00 feet; thence East 440.00 feet to the said North and South 1/4 line of said section and the place of beginning.

ISABELLA COUNTY

Certain land in Chippewa Township, Isabella County, Michigan described as:

The North 8 rods of the NE 1/4 of the SE 1/4 of Section 29, T14N, R3W.

JACKSON COUNTY

Certain land in Waterloo Township, Jackson County, Michigan described as:

A parcel of land in the North fractional part of the N fractional 1/2 of Section 2, T1S, R2E, described as follows: To find the place of beginning of this description commence at the E 1/4 post of said section; run thence N 01 degrees 03' 40" E along the East line of said section 1335.45 feet to the North 1/8 line of said section and the place of beginning of this description; thence N 89 degrees 32' 00" W, 2677.7 feet to the North and South 1/4 line of said section; thence S 00 degrees 59' 25" W along the North and South 1/4 line of said section 22.38 feet to the North 1/8 line of said section; thence S 89 degrees 59' 10" W along the North 1/8 line of said section 2339.4 feet to the center line of State Trunkline Highway M-52; thence N 53 degrees 46' 00" W along the center line of said State

Trunkline Highway 414.22 feet to the West line of said section; thence N 00 degrees 55' 10" E along the West line of said section 74.35 feet; thence S 89 degrees 32' 00" E, 5356.02 feet to the East line of said section; thence S 01 degrees 03' 40" W along the East line of said section 250 feet to the place of beginning.

KALAMAZOO COUNTY

Certain land in Alamo Township, Kalamazoo County, Michigan described as:

The South 350 feet of the NW 1/4 of the NW 1/4 of Section 16, T1S, R12W, being more particularly described as follows: To find the place of beginning of this description, commence at the Northwest corner of said section; run thence S 00 degrees 36' 55" W along the West line of said section 971.02 feet to the place of beginning of this description; thence continuing S 00 degrees 36' 55" W along said West line of said section 350.18 feet to the North 1/8 line of said section; thence S 87 degrees 33' 40" E along the said North 1/8 line of said section 1325.1 feet to the West 1/8 line of said section; thence N 00 degrees 38' 25" E along the said West 1/8 line of said section 350.17 feet; thence N 87 degrees 33' 40" W, 1325.25 feet to the place of beginning.

KALKASKA COUNTY

Certain land in Kalkaska Township, Kalkaska County, Michigan described as:

The NW 1/4 of the SW 1/4 of Section 4, T27N, R7W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the Department of Conservation for the State of Michigan to George Welker and Mary Welker, his wife, dated October 9, 1934 and recorded December 28, 1934 in Liber 39 on page 291 of Kalkaska County Records, and subject to easement for pipeline purposes as granted to Michigan Consolidated Gas Company by first party herein on April 4, 1963 and recorded June 21, 1963 in Liber 91 on page 631 of Kalkaska County Records.

KENT COUNTY

Certain land in Caledonia Township, Kent County, Michigan described as:

A parcel of land in the Northwest fractional 1/4 of Section 15, T5N, R10W, described as follows: To find the place of beginning of this description commence at the North 1/4 corner of said section, run thence S 0 degrees 59' 26" E along the North and South 1/4 line of said section 2046.25 feet to the place of beginning of this description, thence continuing S 0 degrees 59' 26" E along said North and South 1/4 line of said section 332.88 feet, thence S 88 degrees 58' 30" W 2510.90 feet to a point herein designated "Point A" on the East bank of the Thornapple River, thence continuing S 88 degrees 53' 30" W to the center thread of the Thornapple River, thence NW'ly along the center thread of said Thornapple

River to a point which said point is S 88 degrees 58' 30" W of a point on the East bank of the Thornapple River herein designated "Point B", said "Point B" being N 23 degrees 41' 35" W 360.75 feet from said above-described "Point A", thence N 88 degrees 58' 30" E to said "Point B", thence continuing N 88 degrees 58' 30" E 2650.13 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R10W between the East 1/4 corner of said section and the Northeast corner of said section assumed as N 0 degrees 59' 55" W.)

LAKE COUNTY

Certain land in Pinora and Cherry Valley Townships, Lake County, Michigan described as:

A strip of land 50 feet wide East and West along and adjoining the West line of highway on the East side of the North 1/2 of Section 13 T18N, R12W. Also a strip of land 100 feet wide East and West along and adjoining the East line of the highway on the West side of following described land: The South 1/2 of NW 1/4, and the South 1/2 of the NW 1/4 of the SW 1/4, all in Section 6, T18N, R11W.

LAPEER COUNTY

Certain land in Hadley Township, Lapeer County, Michigan described as:

The South 825 feet of the W 1/2 of the SW 1/4 of Section 24, T6N, R9E, except the West 1064 feet thereof.

LEELANAU COUNTY

Certain land in Cleveland Township, Leelanau County, Michigan described as:

The North 200 feet of the West 180 feet of the SW 1/4 of the SE 1/4 of Section 35, T29N, R13W.

LENAWEE COUNTY

Certain land in Madison Township, Lenawee County, Michigan described as:

A strip of land 165 feet wide off the West side of the following described premises: The E 1/2 of the SE 1/4 of Section 12. The E 1/2 of the NE 1/4 and the NE 1/4 of the SE 1/4 of Section 13, being all in T7S, R3E, excepting therefrom a parcel of land in the E 1/2 of the SE 1/4 of Section 12, T7S, R3E, beginning at the Northwest corner of said E 1/2 of the SE 1/4 of Section 12, running thence East 4 rods, thence South 6 rods, thence West 4 rods, thence North 6 rods to the place of beginning.

LIVINGSTON COUNTY

Certain land in Cohoctah Township, Livingston County, Michigan described as:

Parcel 1

The East 390 feet of the East 50 rods of the SW 1/4 of Section 30, T4N, R4E.

Parcel 2

A parcel of land in the NW 1/4 of Section 31, T4N, R4E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 13' 06" W along the North line of said section, 330 feet to the place of beginning of this description; running thence S 00 degrees 52' 49" W, 2167.87 feet; thence N 88 degrees 59' 49" W, 60 feet; thence N 00 degrees 52' 49" E, 2167.66 feet to the North line of said section; thence S 89 degrees 13' 06" E along said North line of said section, 60 feet to the place of beginning.

MACOMB COUNTY

Certain land in Macomb Township, Macomb County, Michigan described as:

A parcel of land commencing on the West line of the E 1/2 of the NW 1/4 of fractional Section 6, 20 chains South of the NW corner of said E 1/2 of the NW 1/4 of Section 6; thence South on said West line and the East line of A. Henry Kotner's Hayes Road Subdivision #15, according to the recorded plat thereof, as recorded in Liber 24 of Plats, on page 7, 24.36 chains to the East and West 1/4 line of said Section 6; thence East on said East and West 1/4 line 8.93 chains; thence North parallel with the said West line of the E 1/2 of the NW 1/4 of Section 6, 24.36 chains; thence West 8.93 chains to the place of beginning, all in T3N, R13E.

MANISTEE COUNTY

Certain land in Manistee Township, Manistee County, Michigan described as:

A parcel of land in the SW 1/4 of Section 20, T22N, R16W, described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section; run thence East along the South line of said section 832.2 feet to the place of beginning of this description; thence continuing East along said South line of said section 132 feet; thence North 198 feet; thence West 132 feet; thence South 198 feet to the place of beginning, excepting therefrom the South 2 rods thereof which was conveyed to Manistee Township for highway purposes by a Quitclaim Deed dated June 13, 1919 and recorded July [11], 1919 in Liber 88 of Deeds on page 638 of Manistee County Records.

MASON COUNTY

Certain land in Riverton Township, Mason County, Michigan described as:

Parcel 1

The South 10 acres of the West 20 acres of the S 1/2 of the NE 1/4 of Section 22, T17N, R17W.

Parcel 2

A parcel of land containing 4 acres of the West side of highway, said parcel of land being described as commencing 16 rods South of the Northwest corner of the NW 1/4 of the SW 1/4 of Section 22, T17N, R17W, running thence South 64 rods, thence NE'ly and N'ly and NW'ly along the W'ly line of said highway to the place of beginning, together with any and all right, title, and interest of Howard C. Wicklund and Katherine E. Wicklund in and to that portion of the hereinbefore mentioned highway lying adjacent to the E'ly line of said above described land.

MECOSTA COUNTY

Certain land in Wheatland Township, Mecosta County, Michigan described as:

A parcel of land in the SW 1/4 of the SW 1/4 of Section 16, T14N, R7W, described as beginning at the Southwest corner of said section; thence East along the South line of Section 133 feet; thence North parallel to the West section line 133 feet; thence West 133 feet to the West line of said Section; thence South 133 feet to the place of beginning.

MIDLAND COUNTY

Certain land in Ingersoll Township, Midland County, Michigan described as:

The West 200 feet of the W 1/2 of the NE 1/4 of Section 4, T13N, R2E.

MISSAUKEE COUNTY

Certain land in Norwich Township, Missaukee County, Michigan described as:

A parcel of land in the NW 1/4 of the NW 1/4 of Section 16, T24N, R6W, described as follows: Commencing at the Northwest corner of said section, running thence N 89 degrees 01' 45" E along the North line of said section 233.00 feet; thence South 233.00 feet; thence S 89 degrees 01' 45" W, 233.00 feet to the West line of said section; thence North along said West line of said section 233.00 feet to the place of beginning. (Bearings are based on the West line of Section 16, T24N, R6W, between the Southwest and Northwest corners of said section assumed as North.)

MONROE COUNTY

Certain land in Whiteford Township, Monroe County, Michigan described as:

A parcel of land in the SW1/4 of Section 20, T8S, R6E, described as follows: To find the place of beginning of this description commence at the S 1/4 post of said section; run thence West along the South line of said section 1269.89 feet to the place of beginning of this description; thence continuing West along said South line of said section 100 feet; thence N 00 degrees 50' 35" E, 250 feet; thence East 100 feet; thence S 00 degrees 50' 35" W parallel with and 16.5 feet distant W'ly of as measured perpendicular to the West 1/8 line of said section, as occupied, a distance of 250 feet to the place of beginning.

MONTCALM COUNTY

Certain land in Crystal Township, Montcalm County, Michigan described as:

The N 1/2 of the S 1/2 of the SE 1/4 of Section 35, T10N, R5W.

MONTMORENCY COUNTY

Certain land in the Village of Hillman, Montmorency County, Michigan described as:

Lot 14 of Hillman Industrial Park, being a subdivision in the South 1/2 of the Northwest 1/4 of Section 24, T31N, R4E, according to the plat thereof recorded in Liber 4 of Plats on Pages 32-34, Montmorency County Records.

MUSKEGON COUNTY

Certain land in Casnovia Township, Muskegon County, Michigan described as:

The West 433 feet of the North 180 feet of the South 425 feet of the SW 1/4 of Section 3, T10N, R13W.

NEWAYGO COUNTY

Certain land in Ashland Township, Newaygo County, Michigan described as:

The West 250 feet of the NE 1/4 of Section 23, T11N, R13W.

OAKLAND COUNTY

Certain land in Wixcom City, Oakland County, Michigan described as:

The E 75 feet of the N 160 feet of the N 330 feet of the W 526.84 feet of the NW 1/4 of the NW 1/4 of Section 8, T1N, R8E, more particularly described as follows: Commence at the NW corner of said Section 8, thence N 87 degrees 14' 29" E along the North line of said Section 8 a distance of 451.84 feet to the place

of beginning for this description; thence continuing N 87 degrees 14' 29" E along said North section line a distance of 75.0 feet to the East line of the West 526.84 feet of the NW 1/4 of the NW 1/4 of said Section 8; thence S 02 degrees 37' 09" E along said East line a distance of 160.0 feet; thence S 87 degrees 14' 29" W a distance of 75.0 feet; thence N 02 degrees 37' 09" W a distance of 160.0 feet to the place of beginning.

OCEANA COUNTY

Certain land in Crystal Township, Oceana County, Michigan described as:

The East 290 feet of the SE 1/4 of the NW 1/4 and the East 290 feet of the NE 1/4 of the SW 1/4, all in Section 20, T16N, R16W.

OGEMAW COUNTY

Certain land in West Branch Township, Ogemaw County, Michigan described as:

The South 660 feet of the East 660 feet of the NE 1/4 of the NE 1/4 of Section 33, T22N, R2E.

OSCEOLA COUNTY

Certain land in Hersey Township, Osceola County, Michigan described as:

A parcel of land in the North 1/2 of the Northeast 1/4 of Section 13, T17N, R9W, described as commencing at the Northeast corner of said Section; thence West along the North Section line 999 feet to the point of beginning of this description; thence S 01 degrees 54' 20" E 1327.12 feet to the North 1/8 line; thence S 89 degrees 17' 05" W along the North 1/8 line 330.89 feet; thence N 01 degrees 54' 20" W 1331.26 feet to the North Section line; thence East along the North Section line 331 feet to the point of beginning.

OSCODA COUNTY

Certain land in Comins Township, Oscoda County, Michigan described as:

The East 400 feet of the South 580 feet of the W 1/2 of the SW 1/4 of Section 15, T27N, R3E.

OTSEGO COUNTY

Certain land in Corwith Township, Otsego County, Michigan described as:

Part of the NW 1/4 of the NE 1/4 of Section 28, T32N, R3W, described as: Beginning at the N 1/4 corner of said section; running thence S 89 degrees 04' 06" E along the North line of said section, 330.00 feet; thence S 00 degrees 28' 43" E, 400.00 feet; thence N 89 degrees 04' 06" W, 330.00 feet to the North and

South 1/4 line of said section; thence N 00 degrees 28' 43" W along the said North and South 1/4 line of said section, 400.00 feet to the point of beginning; subject to the use of the N'ly 33.00 feet thereof for highway purposes.

OTTAWA COUNTY

Certain land in Robinson Township, Ottawa County, Michigan described as:

The North 660 feet of the West 660 feet of the NE 1/4 of the NW 1/4 of Section 26, T7N, R15W.

PRESQUE ISLE COUNTY

Certain land in Belknap and Pulawski Townships, Presque Isle County, Michigan described as:

Part of the South half of the Northeast quarter, Section 24, T34N, R5E, and part of the Northwest quarter, Section 19, T34N, R6E, more fully described as: Commencing at the East 1/4 corner of said Section 24; thence N 00 degrees15'47" E, 507.42 feet, along the East line of said Section 24 to the point of beginning; thence S 88 degrees15'36" W, 400.00 feet, parallel with the North 1/8 line of said Section 24; thence N 00 degrees15'47" E, 800.00 feet, parallel with said East line of Section 24; thence N 88 degrees15'36"E, 800.00 feet, along said North 1/8 line of Section 24 and said line extended; thence S 00 degrees15'47" W, 800.00 feet, parallel with said East line of Section 24; thence S 88 degrees15'36" W, 400.00 feet, parallel with said North 1/8 line of Section 24 to the point of beginning.

Together with a 33 foot easement along the West 33 feet of the Northwest quarter lying North of the North 1/8 line of Section 24, Belknap Township, extended, in Section 19, T34N, R6E.

ROSCOMMON COUNTY

Certain land in Gerrish Township, Roscommon County, Michigan described as:

A parcel of land in the NW 1/4 of Section 19, T24N, R3W, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section, run thence East along the North line of said section 1,163.2 feet to the place of beginning of this description (said point also being the place of intersection of the West 1/8 line of said section with the North line of said section), thence S 01 degrees 01' E along said West 1/8 line 132 feet, thence West parallel with the North line of said section 132 feet, thence N 01 degrees 01' W parallel with said West 1/8 line of said section 132 feet to the North line of said section, thence East along the North line of said section 132 feet to the place of beginning.

SAGINAW COUNTY

Certain land in Chapin Township, Saginaw County, Michigan described as:

A parcel of land in the SW 1/4 of Section 13, T9N, R1E, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence North along the West line of said section 1581.4 feet to the place of beginning of this description; thence continuing North along said West line of said section 230 feet to the center line of a creek; thence S 70 degrees 07' 00" E along said center line of said creek 196.78 feet; thence South 163.13 feet; thence West 185 feet to the West line of said section and the place of beginning.

SANILAC COUNTY

Certain easement rights located across land in Minden Township, Sanilac County, Michigan described as:

The Southeast 1/4 of the Southeast 1/4 of Section 1, T14N, R14E, excepting therefrom the South 83 feet of the East 83 feet thereof.

SHIAWASSEE COUNTY

Certain land in Burns Township, Shiawassee County, Michigan described as:

The South 330 feet of the E 1/2 of the NE 1/4 of Section 36, T5N, R4E.

ST. CLAIR COUNTY

Certain land in Ira Township, St. Clair County, Michigan described as:

The N 1/2 of the NW 1/4 of the NE 1/4 of Section 6, T3N, R15E.

ST. JOSEPH COUNTY

Certain land in Mendon Township, St. Joseph County, Michigan described as:

The North 660 feet of the West 660 feet of the NW 1/4 of SW 1/4, Section 35, T5S, R10W.

TUSCOLA COUNTY

Certain land in Millington Township, Tuscola County, Michigan described as:

A strip of land 280 feet wide across the East 96 rods of the South 20 rods of the N 1/2 of the SE 1/4 of Section 34, T10N, R8E, more particularly described as commencing at the Northeast corner of Section 3, T9N, R8E, thence S 89 degrees 55' 35" W along the South line of said Section 34 a distance of 329.65 feet, thence N 18 degrees 11' 50" W a distance of 1398.67 feet to the South 1/8

line of said Section 34 and the place of beginning for this description; thence continuing N 18 degrees 11' 50" W a distance of 349.91 feet; thence N 89 degrees 57' 01" W a distance of 294.80 feet; thence S 18 degrees 11' 50" E a distance of 350.04 feet to the South 1/8 line of said Section 34; thence S 89 degrees 58' 29" E along the South 1/8 line of said section a distance of 294.76 feet to the place of beginning.

VAN BUREN COUNTY

Certain land in Covert Township, Van Buren County, Michigan described as:

All that part of the West 20 acres of the N 1/2 of the NE fractional 1/4 of Section 1, T2S, R17W, except the West 17 rods of the North 80 rods, being more particularly described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 29' 20" E along the North line of said section 280.5 feet to the place of beginning of this description; thence continuing N 89 degrees 29' 20" E along said North line of said section 288.29 feet; thence S 00 degrees 44' 00" E, 1531.92 feet; thence S 89 degrees 33' 30" W, 568.79 feet to the North and South 1/4 line of said section; thence N 00 degrees 44' 00" W along said North and South 1/4 line of said section 211.4 feet; thence N 89 degrees 29' 20" E, 280.5 feet; thence N 00 degrees 44' 00" W, 1320 feet to the North line of said section and the place of beginning.

WASHTENAW COUNTY

Certain land in Manchester Township, Washtenaw County, Michigan described as:

A parcel of land in the NE 1/4 of the NW 1/4 of Section 1, T4S, R3E, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section; run thence East along the North line of said section 1355.07 feet to the West 1/8 line of said section; thence S 00 degrees 22' 20" E along said West 1/8 line of said section 927.66 feet to the place of beginning of this description; thence continuing S 00 degrees 22' 20" E along said West 1/8 line of said section 660 feet to the North 1/8 line of said section; thence N 86 degrees 36' 57" E along said North 1/8 line of said section 660.91 feet; thence N 00 degrees22' 20" W, 660 feet; thence S 86 degrees 36' 57" W, 660.91 feet to the place of beginning.

WAYNE COUNTY

Certain land in Livonia City, Wayne County, Michigan described as:

Commencing at the Southeast corner of Section 6, T1S, R9E; thence North along the East line of Section 6 a distance of 253 feet to the point of beginning; thence continuing North along the East line of Section 6 a distance of 50 feet; thence Westerly parallel to the South line of Section 6, a distance of 215 feet; thence Southerly parallel to the East line of Section 6 a distance of 50 feet;

thence easterly parallel with the South line of Section 6 a distance of 215 feet to the point of beginning.

WEXFORD COUNTY

Certain land in Selma Township, Wexford County, Michigan described as:

A parcel of land in the NW 1/4 of Section 7, T22N, R10W, described as beginning on the North line of said section at a point 200 feet East of the West line of said section, running thence East along said North section line 450 feet, thence South parallel with said West section line 350 feet, thence West parallel with said North section line 450 feet, thence North parallel with said West section line 350 feet to the place of beginning.

SECTION 12. The Company is a transmitting utility under Section 9501(2) of the Michigan Uniform Commercial Code (M.C.L. 440.9501(2)) as defined in M.C.L. 440.9102(1)(aaaa).

IN WITNESS WHEREOF, said Consumers Energy Company has caused this Supplemental Indenture to be executed in its corporate name by its Chairman of the Board, President, a Vice President or its Treasurer and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and said JPMorgan Chase Bank, as Trustee as aforesaid, to evidence its acceptance hereof, has caused this Supplemental Indenture to be executed in its corporate name by a Vice President and its corporate seal to be hereunto affixed and to be attested by a Trust Officer, in several counterparts, all as of the day and year first above written.

CONSUMERS ENERGY COMPANY

(SEAL) By /s/ Paul A. Stadnikia

Paul A. Stadnikia
Treasurer

Attest:

/s/ Joyce H. Norkey

Joyce H. Norkey
Assistant Secretary

Signed, sealed and delivered
by CONSUMERS ENERGY COMPANY
in the presence of

/s/ Kimberly C. Wilson

Kimberly C. Wilson

/s/ Sammie B. Dalton

Sammie B. Dalton

STATE OF MICHIGAN)
ss.
COUNTY OF JACKSON)

The foregoing instrument was acknowledged before me this 28th day of March, 2003, by Paul A. Stadnikia, Treasurer of CONSUMERS ENERGY COMPANY, a Michigan corporation, on behalf of the corporation.

/s/ Margaret Hillman

Margaret Hillman, Notary Public
Jackson County, Michigan
My Commission Expires: June 14, 2004

[Seal]

JPMORGAN CHASE BANK, AS TRUSTEE

(SEAL)

By /s/ L. O'Brien

L. O'Brien
Vice President

Attest:

/s/ Rosa Ciaccia
- ------------------
Rosa Ciaccia
Trust Officer

Signed, sealed and delivered
by JPMORGAN CHASE BANK
in the presence of

/s/ James D. Heaney
- ---------------------------
James D. Heaney
Vice President

/s/ William G. Keenan
- ---------------------------
William G. Keenan
Vice President

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 28th day of March, 2003, by L. O'Brien, a Vice President of JPMORGAN CHASE BANK, a New York corporation, on behalf of the corporation.

/s/ Emily Fayan

Notary Public

[Seal]

New York County, New York
My Commission Expires:

Prepared by:
Kimberly C. Wilson
212 West Michigan Avenue
Jackson, MI 49201

When recorded, return to:
Consumers Energy Company
Business Services Real Estate Dept.
Attn: Nancy Fisher EP7-439
One Energy Plaza
Jackson, MI 49201

EXHIBIT 4(d)

NINETIETH SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR

FIRST MORTGAGE BONDS,

$250,000,000 4.25% SERIES DUE 2008, SERIES A,

$375,000,000 5.375% SERIES DUE 2013, SERIES B,

$250,000,000 4.25% SERIES DUE 2008, SERIES C

AND

$375,000,000 5.375% SERIES DUE 2013, SERIES D

DATED AS OF APRIL 30, 2003

CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,

TRUSTEE

Counterpart _____ of 80

THIS NINETIETH SUPPLEMENTAL INDENTURE, dated as of April 30, 2003 (herein sometimes referred to as "this Supplemental Indenture"), made and entered into by and between CONSUMERS ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan, with its principal executive office and place of business at 212 West Michigan Avenue, in Jackson, Jackson County, Michigan 49201, formerly known as Consumers Power Company (hereinafter sometimes referred to as the "Company"), and JPMORGAN CHASE BANK, a corporation organized and existing under the laws of the State of New York, with its corporate trust offices at 4 New York Plaza, New York, New York 10004 (hereinafter sometimes referred to as the "Trustee"), as Trustee under the Indenture dated as of September 1, 1945 between Consumers Power Company, a Maine corporation (hereinafter sometimes referred to as the "Maine corporation"), and City Bank Farmers Trust Company (Citibank, N.A., successor, hereinafter sometimes referred to as the "Predecessor Trustee"), securing bonds issued and to be issued as provided therein (hereinafter sometimes referred to as the "Indenture"),

WHEREAS at the close of business on January 30, 1959, City Bank Farmers Trust Company was converted into a national banking association under the title "First National City Trust Company"; and

WHEREAS at the close of business on January 15, 1963, First National City Trust Company was merged into First National City Bank; and

WHEREAS at the close of business on October 31, 1968, First National City Bank was merged into The City Bank of New York, National Association, the name of which was thereupon changed to First National City Bank; and

WHEREAS effective March 1, 1976, the name of First National City Bank was changed to Citibank, N.A.; and

WHEREAS effective July 16, 1984, Manufacturers Hanover Trust Company succeeded Citibank, N.A. as Trustee under the Indenture; and

WHEREAS effective June 19, 1992, Chemical Bank succeeded by merger to Manufacturers Hanover Trust Company as Trustee under the Indenture; and

WHEREAS effective July 15, 1996, The Chase Manhattan Bank (National Association), merged with and into Chemical Bank which thereafter was renamed The Chase Manhattan Bank; and

WHEREAS effective November 11, 2001, The Chase Manhattan Bank merged with Morgan Guaranty Trust Company of New York and the surviving corporation was renamed JPMorgan Chase Bank; and

WHEREAS the Indenture was executed and delivered for the purpose of securing such bonds as may from time to time be issued under and in accordance with the terms of the Indenture, the aggregate principal amount of bonds to be secured thereby being limited to $5,000,000,000 at any one time outstanding (except as provided in Section 2.01 of the Indenture), and the Indenture describes and sets forth the property conveyed thereby and is filed

in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Indenture has been supplemented and amended by various indentures supplemental thereto, each of which is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Company and the Maine corporation entered into an Agreement of Merger and Consolidation, dated as of February 14, 1968, which provided for the Maine corporation to merge into the Company; and

WHEREAS the effective date of such Agreement of Merger and Consolidation was June 6, 1968, upon which date the Maine corporation was merged into the Company and the name of the Company was changed from "Consumers Power Company of Michigan" to "Consumers Power Company"; and

WHEREAS the Company and the Predecessor Trustee entered into a Sixteenth Supplemental Indenture, dated as of June 4, 1968, which provided, among other things, for the assumption of the Indenture by the Company; and

WHEREAS said Sixteenth Supplemental Indenture became effective on the effective date of such Agreement of Merger and Consolidation; and

WHEREAS the Company has succeeded to and has been substituted for the Maine corporation under the Indenture with the same effect as if it had been named therein as the mortgagor corporation; and

WHEREAS effective March 11, 1997, the name of Consumers Power Company was changed to Consumers Energy Company; and

WHEREAS, the Indenture provides for the issuance of bonds thereunder in one or more series, and the Company, by appropriate corporate action in conformity with the terms of the Indenture, has duly determined to create, and does hereby create, a new series of bonds under the Indenture designated 4.25% Series due 2008, Series A, each of which bonds shall also bear the descriptive title "First Mortgage Bonds" (hereinafter provided for and hereinafter sometimes referred to as the "2008 Bonds, Series A"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified in the title thereof and are to mature April 15, 2008; and

WHEREAS, the Indenture provides for the issuance of bonds thereunder in one or more series, and the Company, by appropriate corporate action in conformity with the terms of the Indenture, has duly determined to create, and does hereby create, a new series of bonds under the Indenture designated 5.375% Series due 2013, Series B, each of which bonds shall also bear the descriptive title "First Mortgage Bonds" (hereinafter provided for and hereinafter sometimes referred to as the "2013 Bonds, Series B"), the bonds of which series are to be issued as

registered bonds without coupons and are to bear interest at the rate per annum specified in the title thereof and are to mature April 15, 2013; and

WHEREAS the Company and Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc., Comerica Securities, Inc., and Wachovia Securities, Inc. (the "Initial Purchasers") have entered into a Purchase Agreement dated April 23, 2003 (the "Purchase Agreement"), pursuant to which the Company agreed to sell and the Initial Purchasers agreed to buy $250,000,000 in aggregate principal amount of 2008 Bonds, Series A and $375,000,000 of 2013 Bonds, Series B (such 2008 Bonds, Series A and 2013 Bonds, Series B together, the "Initial Bonds"); and

WHEREAS the Company and the Initial Purchasers have entered into a Registration Rights Agreement dated as of April 30, 2003 (the "Registration Rights Agreement"); and

WHEREAS the Registration Rights Agreement requires the Company to use its reasonable best efforts to make an Exchange Offer (as defined therein) which would allow (i) the Initial Purchasers, or permitted successor holders, of the 2008 Bonds, Series A to exchange such bonds for bonds not subject to certain restrictions under the Securities Act of 1933, as amended (the "Securities Act") or to cause a Shelf Registration Statement (as defined in the Registration Rights Agreement) to be declared effective with respect to the 2008 Bonds, Series A, and (ii) the Initial Purchasers, or permitted successor holders, of the 2013 Bonds, Series B to exchange such bonds for bonds not subject to certain restrictions under the Securities Act or to cause a Shelf Registration Statement (as defined in the Registration Rights Agreement) to be declared effective with respect to the 2013 Bonds, Series B; and

WHEREAS the Company has duly determined to create, and does hereby create, a series of bonds under the Indenture to be issued in exchange for the 2008 Bonds, Series A, such bonds to be designated 4.25% Series due 2008, Series C, each of which bonds shall also bear the descriptive title "First Mortgage Bonds" (the "2008 Bonds, Series C"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified in the title thereof and are to mature April 15, 2008; and

WHEREAS the Company has duly determined to create, and does hereby create, a series of bonds under the Indenture to be issued in exchange for the 2013 Bonds, Series B, such bonds to be designated 5.375% Series due 2013, Series D, each of which bonds shall also bear the descriptive title "First Mortgage Bonds" (the "2013 Bonds, Series D" and, together with the 2008 Bonds, Series C, the "Exchange Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified in the title thereof and are to mature April 15, 2013; and

WHEREAS, each of the registered bonds without coupons of 2008 Bonds, Series A, and the Trustee's Authentication Certificate thereon, each of the registered bonds without coupons of the 2013 Bonds, Series B, and the Trustee's Authentication Certificate thereon, each of the registered bonds without coupons of the 2008 Bonds, Series C, and the Trustee's Authentication Certificate thereon, and each of the registered bonds without coupons of the 2013 Bonds, Series D are to be substantially in the following forms, respectively, to wit:

[FORM OF REGISTERED BOND OF THE 2008 BONDS, SERIES A]

[FACE]

THIS BOND IS A GLOBAL BOND REGISTERED IN THE NAME OF THE DEPOSITARY (REFERRED TO HEREIN) OR A NOMINEE THEREOF AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL BONDS REPRESENTED HEREBY, THIS GLOBAL BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS GLOBAL BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK), A NEW YORK CORPORATION (THE "DEPOSITARY"), TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE BONDS EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (4) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, (5) TO CONSUMERS ENERGY COMPANY OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES.

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
4.25% SERIES DUE 2008, SERIES A

CUSIP: [210518BPO/U21010AF7] $250,000,000

ISIN: [US210518BPOO/USU21010AF75]

No.: ________________

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Two Hundred Fifty Million Dollars ($250,000,000) on April 15, 2008, and to pay to the registered holder hereof interest on said sum from the latest semi-annual interest payment date to which interest has been paid on the bonds of this series preceding the date hereof, unless the date hereof be an interest payment date to which interest is being paid, in which case from the date hereof, or unless the date hereof is prior to October 15, 2003, in which case from April 30, 2003 (or if this bond is dated between the record date for any interest payment date and such interest payment date, then from such interest payment date, provided, however, that if the Company shall default in payment of the interest due on such interest payment date, then from the next preceding semi-annual interest payment date to which interest has been paid on the bonds of this series, or if such interest payment date is October 15, 2003, from April 30, 2003), at the rate per annum, until the principal hereof shall have become due and payable, specified in the title of this bond, payable on October 15 and April 15 in each year. If the Company does not comply with certain of its obligations under the Registration Rights Agreement entered into by the Company as of April 30, 2003, (in which case the Company shall notify the Trustee thereof), the bonds of this series shall, in accordance with Section 5 of such Registration Rights Agreement, bear additional interest ("Additional Interest") in addition to the interest provided for in the immediately preceding sentence. For purposes of the bonds of this series, the term "interest" shall be deemed to include interest provided for in the second immediately preceding sentence and Additional Interest, if any.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By: ___________________________
Printed: ___________________________
Title: ___________________________

Attest: __________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By: ________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
4.25% SERIES DUE 2008, SERIES A

The interest payable on any October 15 or April 15 will, subject to certain exceptions provided in the Indenture hereinafter mentioned, be paid to the person in whose name this bond is registered at the close of business on the record date, which shall be the first calendar day of the month next preceding such interest payment date, or, if such October 15 or April 15 shall be a legal holiday or a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized to close, the next preceding day which shall not be a legal holiday or a day on which such institutions are so authorized to close. The principal of and the premium, if any, and interest on this bond shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, designated for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

This bond is one of the bonds of a series designated as First Mortgage Bonds, 4.25% Series due 2008, Series A (sometimes herein referred to as the "2008 Bonds, Series A" or the "Bonds") issued and to be issued from time to time under and in accordance with and secured by an indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2008 Bonds, Series A are redeemable upon notice given by mailing the same, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to each registered holder of a bond to be redeemed (in whole or in part) at the last address of such holder appearing on the registry books. Any or all of the bonds of this series may be redeemed by the Company, at any time and from time to time prior to maturity, at a redemption price equal to the greater of (1) 100% of the principal amount of the Bonds and (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the Bonds discounted to the redemption date semiannually (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 20 basis points, plus in either case accrued interest on the Bonds to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (as defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker (as defined below) as having a maturity comparable to the remaining term of the Bonds to be redeemed that would be used, 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 Bonds.

"Independent Investment Banker" means either Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. or, if such firms are unwilling or unable to select the Comparable Treasury Issues, an independent banking institution of national standing selected by the Company.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal

Reserve Bank of New York and designated "H.15(519)" or (2) if such release (or any successor release) is not published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer (as defined below) and any redemption date, the average, as determined by the Company, 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 Company by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"Reference Treasury Dealer" means (1) each of Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall replace that former dealer with another Primary Treasury Dealer and (2) up to four other Primary Treasury Dealers selected by the Company.

"Remaining Scheduled Payments" means, with respect to each Bond to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if that redemption date is prior to an interest payment date with respect to such Bond, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof or reduce any premium payable on the redemption hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the

percentage of the principal amount of the bonds upon the approval or consent of the holders of which modifications or alterations may be made as aforesaid.

The Company reserves the right, without any consent, vote or other action by holders of the 2008 Bonds, Series A or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

[END OF FORM OF REGISTERED BOND OF THE 2008 BONDS, SERIES A]

[FORM OF REGISTERED BOND OF THE 2013 BONDS, SERIES B]

[FACE]

THIS BOND IS A GLOBAL BOND REGISTERED IN THE NAME OF THE DEPOSITARY (REFERRED TO HEREIN) OR A NOMINEE THEREOF AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL BONDS REPRESENTED HEREBY, THIS GLOBAL BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS GLOBAL BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK), A NEW YORK CORPORATION (THE "DEPOSITARY"), TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED

REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE BONDS EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (4) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, (5) TO CONSUMERS ENERGY COMPANY OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES.

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
5.375% SERIES DUE 2013, SERIES B

CUSIP: [210518BQ8/U21010AG5] $375,000,000

ISIN: [US210518BQ82/USU21010AG58]

No.: ________________

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Three Hundred Seventy Five Million Dollars ($375,000,000) on April 15, 2013 and to pay to the registered holder hereof interest on said sum from the latest semi-annual interest payment date to which interest has been paid on the bonds of this series preceding the date hereof, unless the date hereof be an interest payment date to which interest is being paid, in which case from the date hereof, or unless the date hereof is prior to October 15, 2003, in which case from April 30, 2003 (or if this bond is dated between the record date for any interest payment date and such interest payment date, then from such interest payment date, provided, however, that if the Company shall default in payment of the interest due on such interest payment date, then from the next preceding semi-annual interest payment date to which interest has been paid on the bonds of this series, or if such interest payment date is October 15, 2003, from April 30, 2003), at the rate per annum, until the principal hereof shall have become

due and payable, specified in the title of this bond, payable on October 15 and April 15 in each year. If the Company does not comply with certain of its obligations under the Registration Rights Agreement entered into by the Company as of April 30, 2003, (in which case the Company shall notify the Trustee thereof), the bonds of this series shall, in accordance with Section 5 of such Registration Rights Agreement, bear additional interest ("Additional Interest") in addition to the interest provided for in the immediately preceding sentence. For purposes of the bonds of this series, the term "interest" shall be deemed to include interest provided for in the second immediately preceding sentence and Additional Interest, if any.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By: ________________________________
Printed: ____________________________
Title: ______________________________

Attest: _________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By: ______________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
5.375% SERIES DUE 2013, SERIES B

The interest payable on any October 15 or April 15 will, subject to certain exceptions provided in the Indenture hereinafter mentioned, be paid to the person in whose name this bond is registered at the close of business on the record date, which shall be the first calendar day of the month next preceding such interest payment date, or, if such October 15 or April 15 shall be a legal holiday or a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized to close, the next preceding day which shall not be a legal holiday or a day on which such institutions are so authorized to close. The principal of and the premium, if any, and interest on this bond shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, designated for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

This bond is one of the bonds of a series designated as First Mortgage Bonds, 5.375% Series due 2013, Series B (sometimes herein referred to as the "2013 Bonds, Series B" or the "Bonds") issued and to be issued from time to time under and in accordance with and secured by an indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2013 Bonds, Series B are redeemable upon notice given by mailing the same, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to each registered holder of a bond to be redeemed (in whole or in part) at the last address of such holder appearing on the registry books. Any or all of the bonds of this series may be redeemed by the Company, at any time and from time to time prior to maturity, at a redemption price equal to the greater of (1) 100% of the principal amount of the Bonds and (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the Bonds discounted to the redemption date semiannually (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 25 basis points, plus in either case accrued interest on the Bonds to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (as

defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker (as defined below) as having a maturity comparable to the remaining term of the Bonds to be redeemed that would be used, 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 Bonds.

"Independent Investment Banker" means either Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. or, if such firms are unwilling or unable to select the Comparable Treasury Issues, an independent banking institution of national standing selected by the Company.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "H.15(519)" or (2) if such release (or any successor release) is not published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer (as defined below) and any redemption date, the average, as determined by the Company, 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 Company by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"Reference Treasury Dealer" means (1) each of Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall replace that former dealer with another Primary Treasury Dealer and (2) up to four other Primary Treasury Dealers selected by the Company.

"Remaining Scheduled Payments" means, with respect to each Bond to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if that redemption date is prior to an interest payment date with respect to such Bond, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof or reduce any premium payable on the redemption hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds upon the approval or consent the holders of which modifications or alterations may be made as aforesaid.

The Company reserves the right, without any consent, vote or other action by holders of the 2013 Bonds, Series B or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

[END OF FORM OF REGISTERED BOND OF THE 2013 BONDS, SERIES B]

[FORM OF REGISTERED BOND OF THE 2008 BONDS, SERIES C]

[FACE]

THIS BOND IS A GLOBAL BOND REGISTERED IN THE NAME OF THE DEPOSITARY (REFERRED TO HEREIN) OR A NOMINEE THEREOF AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL BONDS REPRESENTED HEREBY, THIS GLOBAL BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS GLOBAL BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK), A NEW YORK CORPORATION (THE "DEPOSITARY"), TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
4.25% SERIES DUE 2008, SERIES C

CUSIP: __________________ $250,000,000

ISIN: __________________

No.: ________________

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Two Hundred Fifty Million Dollars ($250,000,000) on April 15, 2008 and to pay to the registered holder hereof interest on said sum from the latest semi-annual interest payment date to which interest has been paid on the bonds of this series preceding the date hereof, unless the date hereof be an interest payment date to which interest is being paid, in which case from the date hereof, or unless the date hereof is prior to October 15, 2003, in which case from April 30, 2003, or unless the date hereof is after October 15, 2003 but prior to the first date when any interest hereon has been paid, in which case from the last interest payment date on the Company's First Mortgage Bonds, 4.25% Series due 2008, Series A, to which interest has been paid (or if this bond is dated between the record date for any interest payment date and such interest payment date, then from such interest payment date, provided, however, that if the

Company shall default in payment of the interest due on such interest payment date, then from the next preceding semi-annual interest payment date to which interest has been paid on the bonds of this series, or if such interest payment date is October 15, 2003, from April 30, 2003), at the rate per annum, until the principal hereof shall have become due and payable, specified in the title of this bond, payable on October 15 and April 15 in each year.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By: ___________________________
Printed: ___________________________
Title: ___________________________

Attest: __________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By:___________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
4.25% SERIES DUE 2008, SERIES C

The interest payable on any October 15 or April 15 will, subject to certain exceptions provided in the Indenture hereinafter mentioned, be paid to the person in whose name this bond is registered at the close of business on the record date, which shall be the first calendar day of the month next preceding such interest payment date, or, if such October 15 or April 15 shall be a legal holiday or a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized to close, the next preceding day which shall not be a legal holiday or a day on which such institutions are so authorized to close. The principal of and the premium, if any, and interest on this bond shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, designated for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

This bond is one of the bonds of a series designated as First Mortgage Bonds, 4.25% Series due 2008, Series C (sometimes herein referred to as the "2008 Bonds, Series C" or the "Bonds") issued and to be issued from time to time under and in accordance with and secured by an indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2008 Bonds, Series C are redeemable upon notice given by mailing the same, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to each registered holder of a bond to be redeemed (in whole or in part) at the last address of such holder appearing on the registry books. Any or all of the bonds of this series may be redeemed by the Company, at any time and from time to time prior to maturity, at a redemption price equal to the greater of (1) 100% of the principal amount of the Bonds and (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the Bonds discounted to the redemption date semiannually (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 20 basis points, plus in either case accrued interest on the Bonds to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (as

defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker (as defined below) as having a maturity comparable to the remaining term of the Bonds to be redeemed that would be used, 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 Bonds.

"Independent Investment Banker" means either Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. or, if such firms are unwilling or unable to select the Comparable Treasury Issues, an independent banking institution of national standing selected by the Company.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "H.15(519)" or (2) if such release (or any successor release) is not published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer (as defined below) and any redemption date, the average, as determined by the Company, 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 Company by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"Reference Treasury Dealer" means (1) each of Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall replace that former dealer with another Primary Treasury Dealer and (2) up to four other Primary Treasury Dealers selected by the Company.

"Remaining Scheduled Payments" means, with respect to each Bond to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if that redemption date is prior to an interest payment date with respect to such Bond, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof or reduce any premium payable on the redemption hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds upon the approval or consent of the holders of which modifications or alterations may be made as aforesaid.

The Company reserves the right, without any consent, vote or other action by holders of the 2008 Bonds, Series C or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

[END OF FORM OF REGISTERED BOND OF THE 2008 BONDS, SERIES C]

[FORM OF REGISTERED BOND OF THE 2013 BONDS, SERIES D]

[FACE]

THIS BOND IS A GLOBAL BOND REGISTERED IN THE NAME OF THE DEPOSITARY (REFERRED TO HEREIN) OR A NOMINEE THEREOF AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL BONDS REPRESENTED HEREBY, THIS GLOBAL BOND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. UNLESS THIS GLOBAL BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK), A NEW YORK CORPORATION (THE "DEPOSITARY"), TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY) ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
5.375% SERIES DUE 2013, SERIES D

CUSIP: __________________ $375,000,000

ISIN: __________________

No.: ________________

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Cede & Co., or registered assigns, the principal sum of Three Hundred Seventy Five Million Dollars ($375,000,000) on April 15, 2013 and to pay to the registered holder hereof interest on said sum from the latest semi-annual interest payment date to which interest has been paid on the bonds of this series preceding the date hereof, unless the date hereof be an interest payment date to which interest is being paid, in which case from the date hereof, or unless the date hereof is prior to October 15, 2003, in which case from April 30, 2003 or unless the date hereof is after October 15, 2003 but prior to the first date when any interest hereon has been paid, in which case from the last interest payment date on the Company's First Mortgage Bonds, 5.375% Series due 2013, Series B, to which interest has been paid (or if this bond is dated between the record date for any interest payment date and such interest payment date, then from such interest payment date, provided,

however, that if the Company shall default in payment of the interest due on such interest payment date, then from the next preceding semi-annual interest payment date to which interest has been paid on the bonds of this series, or if such interest payment date is October 15, 2003, from April 30, 2003), at the rate per annum, until the principal hereof shall have become due and payable, specified in the title of this bond, payable on October 15 and April 15 in each year.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By: ___________________________
Printed: ___________________________
Title: ___________________________

Attest: __________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By:___________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
5.375% SERIES DUE 2013, SERIES D

The interest payable on any October 15 or April 15 will, subject to certain exceptions provided in the Indenture hereinafter mentioned, be paid to the person in whose name this bond is registered at the close of business on the record date, which shall be the first calendar day of the month next preceding such interest payment date, or, if such October 15 or April 15 shall be a legal holiday or a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized to close, the next preceding day which shall not be a legal holiday or a day on which such institutions are so authorized to close. The principal of and the premium, if any, and interest on this bond shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York, designated for that purpose, in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

This bond is one of the bonds of a series designated as First Mortgage Bonds, 5.375% Series due 2013, Series D (sometimes herein referred to as the "2013 Bonds, Series D" or the "Bonds") issued and to be issued from time to time under and in accordance with and secured by an indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2013 Bonds, Series D are redeemable upon notice given by mailing the same, postage prepaid, not less than thirty days but no more than sixty days prior to the date fixed for redemption to each registered holder of a bond to be redeemed (in whole or in part) at the last address of such holder appearing on the registry books. Any or all of the bonds of this series may be redeemed by the Company, at any time and from time to time prior to maturity, at a redemption price equal to the greater of (1) 100% of the principal amount of the Bonds and (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the Bonds discounted to the redemption date semiannually (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 25 basis points, plus in either case accrued interest on the Bonds to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (as

defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker (as defined below) as having a maturity comparable to the remaining term of the Bonds to be redeemed that would be used, 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 Bonds.

"Independent Investment Banker" means either Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. or, if such firms are unwilling or unable to select the Comparable Treasury Issues, an independent banking institution of national standing selected by the Company.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "H.15(519)" or (2) if such release (or any successor release) is not published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer (as defined below) and any redemption date, the average, as determined by the Company, 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 Company by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"Reference Treasury Dealer" means (1) each of Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall replace that former dealer with another Primary Treasury Dealer and (2) up to four other Primary Treasury Dealers selected by the Company.

"Remaining Scheduled Payments" means, with respect to each Bond to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if that redemption date is prior to an interest payment date with respect to such Bond, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof or reduce any premium payable on the redemption hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds upon the approval or consent of the holders of which modifications or alterations may be made as aforesaid.

The Company reserves the right, without any consent, vote or other action by holders of the 2013 Bonds, Series D or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or premium, if any, or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

[END OF FORM OF REGISTERED BOND OF THE 2013 BONDS, SERIES D]

AND WHEREAS all acts and things necessary to make the 2008 Bonds, Series A, the 2013 Bonds, Series B, the 2008 Bonds, Series C and the 2013 Bonds, Series D (collectively referred to herein as the "Bonds"), when duly executed by the Company and authenticated by the Trustee or its agent and issued as prescribed in the Indenture, as heretofore supplemented and amended, this Supplemental Indenture, the valid, binding and legal obligations of the Company, and to constitute the Indenture, as supplemented and amended as aforesaid, as well as by this Supplemental Indenture, a valid, binding and legal instrument for the security thereof, have been done and performed, and the creation, execution and delivery of this Supplemental Indenture and the creation, execution and issuance of bonds subject to the terms hereof and of the Indenture, as so supplemented and amended, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, of the acceptance and purchase by the holders thereof of the bonds issued and to be issued under the Indenture, as supplemented and amended as above set forth, duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and premium, if any, and interest on all bonds now outstanding under the Indenture and the $250,000,000 principal amount of the 2008 Bonds, Series A, the $375,000,000 principal amount of the 2013 Bonds, Series B and of the Exchange Bonds, if issued, and all other bonds which shall be issued under the Indenture, as supplemented and amended from time to time, and for the purpose of securing the faithful performance and observance of all covenants and conditions therein, and in any indenture supplemental thereto, set forth, the Company has given, granted, bargained, sold, released, transferred, assigned, hypothecated, pledged, mortgaged, confirmed, set over, warranted, alienated and conveyed and by these presents does give, grant, bargain, sell, release, transfer, assign, hypothecate, pledge, mortgage, confirm, set over, warrant, alienate and convey unto JPMorgan Chase Bank, as Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created and to its or their assigns forever, all the right, title and interest of the Company in and to all the property, described in Section 13 hereof, together (subject to the provisions of Article X of the Indenture) with the tolls, rents, revenues, issues, earnings, income, products and profits thereof, excepting, however, the property, interests and rights specifically excepted from the lien of the Indenture as set forth in the Indenture;

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the premises, property, franchises and rights, or any thereof, referred to in the foregoing granting clause, with the reversion and reversions, remainder and remainders and (subject to the provisions of Article X of the Indenture) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, franchises and rights and every part and parcel thereof;

SUBJECT, HOWEVER, with respect to such premises, property, franchises and rights, to excepted encumbrances as said term is defined in Section 1.02 of the Indenture, and subject also to all defects and limitations of title and to all encumbrances existing at the time of acquisition.

TO HAVE AND TO HOLD all said premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale for the equal and proportionate benefit and security of the holders of all bonds now or hereafter authenticated and delivered under and secured by the Indenture and interest coupons appurtenant thereto, pursuant to the provisions of the Indenture and of any supplemental indenture, and for the enforcement of the payment of said bonds and coupons when payable and the performance of and compliance with the covenants and conditions of the Indenture and of any supplemental indenture, without any preference, distinction or priority as to lien or otherwise of any bond or bonds over others by reason of the difference in time of the actual authentication, delivery, issue, sale or negotiation thereof or for any other reason whatsoever, except as otherwise expressly provided in the Indenture; and so that each and every bond now or hereafter authenticated and delivered thereunder shall have the same lien, and so that the principal of and premium, if any, and interest on every such bond shall, subject to the terms thereof, be equally and proportionately secured, as if it had been made, executed, authenticated, delivered, sold and negotiated simultaneously with the execution and delivery thereof;

AND IT IS EXPRESSLY DECLARED by the Company that all bonds authenticated and delivered under and secured by the Indenture, as supplemented and amended as above set forth, are to be issued, authenticated and delivered, and all said premises, property, franchises and rights hereby and by the Indenture and indentures supplemental thereto conveyed, assigned, pledged or mortgaged, or intended so to be, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in the Indenture, as supplemented and amended as above set forth, and the parties hereto mutually agree as follows:

SECTION 1. There is hereby created one series of bonds (the 2008 Bonds, Series A) designated as hereinabove provided, which shall also bear the descriptive title "First Mortgage Bond", and the form thereof shall be substantially as hereinbefore set forth. The 2008 Bonds, Series A shall be issued in the aggregate principal amount of $250,000,000, shall mature on April 15, 2008 and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The serial numbers of the 2008 Bonds, Series A shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2008 Bonds, Series A shall bear interest at the rate per annum, until the principal thereof shall have become due and payable, specified in the title thereto, payable semi-annually on October 15 and April 15 in each year. If the Company does not comply with certain of its obligations under the Registration Rights Agreement, (in which case the Company shall notify the Trustee thereof), the 2008 Bonds, Series A shall, in accordance with Section 5 of the Registration Rights Agreement, bear additional interest ("Additional Interest") in addition to the interest provided for in the immediately preceding sentence. For purposes of this Supplemental Indenture and the 2008 Bonds, Series A, the term "interest" shall be deemed to include interest provided for in the second immediately preceding sentence and Additional Interest, if any. The principal of and the premium, if any, and the interest on said bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for

public and private debts, at the office or agency of the Company in the City of New York, designated for that purpose.

SECTION 2. There is hereby created one series of bonds (the 2013 Bonds, Series B) designated as hereinabove provided, which shall also bear the descriptive title "First Mortgage Bond", and the form thereof shall be substantially as hereinbefore set forth. The 2013 Bonds, Series B shall be issued in the aggregate principal amount of $375,000,000, shall mature on April 15, 2013 and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The serial numbers of the 2013 Bonds, Series B shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2013 Bonds, Series B shall bear interest at the rate per annum, until the principal thereof shall have become due and payable, specified in the title thereto, payable semi-annually on October 15 and April 15 in each year. If the Company does not comply with certain of its obligations under the Registration Rights Agreement, (in which case the Company shall notify the Trustee thereof), the 2013 Bonds, Series B shall, in accordance with Section 5 of the Registration Rights Agreement, bear Additional Interest in addition to the interest provided for in the immediately preceding sentence. For purposes of this Supplemental Indenture and the 2013 Bonds, Series B, the term "interest" shall be deemed to include interest provided for in the second immediately preceding sentence and Additional Interest, if any. The principal of and the premium, if any, and the interest on said bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, at the office or agency of the Company in the City of New York, designated for that purpose.

SECTION 3. The Company and the Initial Purchasers have entered into the Registration Rights Agreement. The Registration Rights Agreement provides the 2008 Bonds, Series A and the 2013 Bonds, Series B that are issued and sold without registration under the Securities Act may be exchanged for the 2008 Bonds, Series C and the 2013 Bonds, Series D, respectively, each of which will be registered under the Securities Act and that will otherwise have substantially the same terms as the 2008 Bonds, Series A and the 2013 Bonds, Series B, respectively. In the event such exchange does not occur, the Company is required to cause a Shelf Registration Statement as defined in and pursuant to the Registration Rights Agreement to be declared effective with respect to the 2008 Bonds, Series A and/or the 2013 Bonds, Series B.

SECTION 4. Terms of Bonds.

4.01 Form of Bonds.

(a) The 2008 Bonds, Series A and the 2013 Bonds, Series B offered and sold to a Qualified Institutional Buyer (within the meaning of Rule 144A under the Securities Act) in reliance on Rule 144A under the Securities Act ("Rule 144A") or in reliance on Regulation S under the Securities Act ("Regulation S"), in each case as provided in the Purchase Agreement, shall in each case be issued initially in the form of one or more permanent Global Bonds in definitive, fully registered form without interest coupons with the global securities legend and restricted securities legend set forth in Section 4.02(b) hereof (each, a "Restricted Global Bond"), which shall be deposited on behalf of the purchasers of the Initial Bonds represented thereby

with the Trustee, at its corporate trust office, as securities custodian (or with such other securities custodian as the Depository (as defined below) may direct), and registered in the name of the Depository or a nominee of the Depository, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Bonds may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided. Exchange Bonds shall be issued in global form. Exchange Bonds issued in global form and Restricted Global Bonds are sometimes referred to in this Supplemental Indenture as "Global Bonds." The Depositary for the Global Bonds shall be The Depository Trust Company, a New York corporation, or its duly appointed successor (the "Depository").

(b) This Section 4.01(b) shall apply only to a Global Bond deposited with or on behalf of the Depository.

The Company shall execute and the Trustee shall, in the case of each of the 2008 Bonds, Series A, the 2013 Bonds, Series B, the 2008 Bonds, Series C and the 2013 Bonds, Series D, in accordance with this Section 4.01(b), authenticate and deliver initially one or more Global Bonds that (a) shall be registered in the name of the Depository or the nominee of the Depository and (b) shall be delivered by the Trustee to the Depository or pursuant to the Depository's instructions or held by the Trustee as securities custodian.

Members of, or participants in, the Depository ("Agent Members") shall have no rights under this Supplemental Indenture with respect to any Global Bond held on their behalf by the Depository or by the Trustee as the securities custodian or under such Global Bond, and the Company, the Trustee and any agent of the Company or the Trustee shall be entitled to treat the Depository as the absolute owner of such Global Bond for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Bond.

(c) Except as provided in this Section 4.01, Section 4.02 or Section 4.03, owners of beneficial interests in Restricted Global Bonds shall not be entitled to receive physical delivery of certificated Bonds.

4.02 Transfer and Exchange.

(a) Transfer and Exchange of Global Bonds.

(i) The transfer and exchange of Global Bonds or beneficial interests therein shall be effected through the Depository, in accordance with this Supplemental Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depository therefor.

(ii) Notwithstanding any other provision of this Supplemental Indenture (other than the provisions set forth in Section 4.03), a Global Bond may not be transferred as a whole except by the Depository to a nominee of the Depository or by a

nominee of the Depository to the Depository or another nominee of the Depository or by the Depository or any such nominee to a successor Depository or a nominee of such successor Depository.

(iii) In the event that a Restricted Global Bond is exchanged for Bonds in certificated registered form pursuant to Section 4.03 prior to the consummation of a registered exchange offer or the effectiveness of a Shelf Registration Statement (as defined in the Registration Rights Agreement) with respect to such Initial Bonds, such Restricted Global Bond may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 4.02 and such other procedures as may from time to time be adopted by the Company; provided, however, the Trustee shall be notified of such event.

(b) Legend.

(i) Except as permitted by the following paragraphs (ii), (iii) and (iv), each Bond certificate evidencing a Transfer Restricted Security (as defined in the Registration Rights Agreement) shall bear a legend in substantially the following form:

THE BONDS EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (4) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, (5) TO CONSUMERS ENERGY COMPANY OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES.

(ii) Upon any sale or transfer of a Transfer Restricted Security (as defined in the Registration Rights Agreement) (including any Transfer Restricted Security (as defined in the Registration Rights Agreement) represented by a Restricted Global Bond) pursuant to Rule 144, the security registrar shall, subject to approval by the Company, permit the transferee thereof to exchange such Transfer Restricted Security (as defined in the Registration Rights Agreement) for a certificated Bond that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Security (as defined in the Registration Rights Agreement), if the transferor

thereof certifies in writing to the security registrar that such sale or transfer was made in reliance on Rule 144.

(iii) After a transfer of any Initial Bonds pursuant to and during the period of the effectiveness of a Shelf Registration Statement (as defined in the Registration Rights Agreement) with respect to such Initial Bonds all requirements pertaining to legends on such Initial Bonds with respect to such Bonds transferred will cease to apply and Initial Bonds in global form, without restrictive transfer legends, will be available to the transferee of the holder of such Initial Bonds upon written directions to transfer such holder's interest in the Global Bond.

(iv) Upon the consummation of a registered exchange offer with respect to the Initial Bonds, Exchange Bonds in global form will be available to holders that exchange such Initial Bonds in such registered exchange offer.

(c) Cancellation or Adjustment of Global Bond. At such time as all beneficial interests in a Global Bond have either been exchanged for certificated Bonds, redeemed, purchased or canceled, such Global Bond shall be canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Bond is exchanged for certificated Bonds, redeemed, purchased or canceled, the principal amount of Bonds represented by such Global Bond shall be reduced and an adjustment shall be made on the books and records of the securities custodian with respect to such Global Bond.

(d) Obligations with Respect to Transfers and Exchanges of Bonds.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate certificated Bonds and Global Bonds at the security registrar's request.

(ii) No service charge shall be made for registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments or similar governmental charge payable in connection therewith.

(iii) Prior to the due presentation for registration of transfer of any Bond, the Company, the Trustee, the paying agent or the security registrar may deem and treat the person in whose name a Bond is registered as the absolute owner of such Bond for the purpose of receiving payment of principal of and interest on such Bond and for all other purposes whatsoever, whether or not such Bond is overdue, and none of the Company, the Trustee, the paying agent or the security registrar shall be affected by notice to the contrary.

(iv) All Bonds issued upon any transfer or exchange pursuant to the terms of the Indenture shall evidence the same debt and shall be entitled to the same benefits under the Indenture as the Bonds surrendered upon such transfer or exchange.

(e) No Obligation of Trustee.

(i) The Trustee (whether in its capacity as Trustee or otherwise) shall have no responsibility or obligation to any beneficial owner of a Global Bond, Agent Member or other person with respect to the accuracy of the records of the Depository or its nominee or of any Agent Member, with respect to any ownership interest in the Bonds or with respect to the delivery to any Agent Member, beneficial owner or other person (other than the Depository) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Bonds. All notices and communications to be given to the holders and all payments to be made to holders under the Bonds shall be given or made only to or upon the order of the registered holders (which shall be the Depository or its nominee in the case of a Global Bond). The rights of beneficial owners in any Global Bond shall be exercised only through the Depository subject to the applicable rules and procedures of the Depository. The Trustee may rely and shall be fully protected in relying upon information furnished by the Depository with respect to its Agent Members and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Supplemental Indenture or under applicable law with respect to any transfer of any interest in any Bond (including any transfers between or among Agent Members or beneficial owners in any Global Bond) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture.

4.03 Certificated Bonds.

(a) A Global Bond deposited with the Depository or with the Trustee as securities custodian pursuant to Section 4.01 shall be transferred to the beneficial owners thereof in the form of certificated Bonds in an aggregate principal amount equal to the principal amount of such Global Bond, in exchange for such Global Bond, only if such transfer complies with this Section 4.03 and the conditions set forth in Article II of the Indenture.

(b) Any Global Bond that is transferable to the beneficial owners thereof pursuant to this Section 4.03 shall be surrendered by the Depository to the Trustee at its corporate trust office to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Bond, an equal aggregate principal amount of certificated Bonds of authorized denominations. Any portion of a Global Bond transferred pursuant to this Section 4.03 shall be executed, authenticated and delivered only in denominations of $1,000 principal amount and any integral multiple thereof and registered in such names as the Depository shall direct. Any certificated Initial Bond delivered in exchange for an interest in the Global Bond shall bear the restricted securities legend set forth in Section 4.02(b) hereof.

(c) Subject to the provisions of Section 4.03(b), the registered holder of a Global Bond shall be entitled to grant proxies and otherwise authorize any person, including

Agent Members and persons that may hold interests through Agent Members, to take any action which a holder is entitled to take under the Indenture or the Bonds.

4.04 Issuance of Exchange Bonds. The Trustee shall not authenticate the 2008 Bonds, Series C or the 2013 Bonds, Series D for issuance until (i) such bonds are issued in principal amount equal to the principal amount of retired 2008 Bonds, Series A and 2013 Bonds, Series B, respectively, made the basis for such issuance in accordance with Article V of the Indenture and (ii) the Trustee shall have received (or shall receive concurrently with the granting of the application of the Company for the authentication and delivery by the Trustee of such bonds) the documents required by Article V of the Indenture.

SECTION 5. The 2008 Bonds, Series A, the 2013 Bonds, Series B, the 2008 Bonds, Series C and the 2013 Bonds, Series D, are redeemable upon notice given by mailing the same, postage prepaid, not less than thirty days nor more than sixty days prior to the date fixed for redemption to each registered holder of a bond to be redeemed (in whole or in part) at the last address of such holder appearing on the registry books. Any or all of the bonds of this series may be redeemed by the Company, at any time and from time to time prior to maturity, at a redemption price equal to the greater of (1) 100% of the principal amount of the Bonds and (2) the sum of the present values of the Remaining Scheduled Payments (as defined below) of principal and interest on the Bonds discounted to the redemption date semiannually (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 20 basis points in the case of 2008 Bonds, Series A or 2008 Bonds, Series C, or plus 25 basis points in the case of 2013 Bonds, Series B or 2013 Bonds, Series D, plus in either case accrued interest on the Bonds to the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (as defined below), assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (as defined below) for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker (as defined below) as having a maturity comparable to the remaining term of the Bonds to be redeemed that would be used, 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 Bonds.

"Independent Investment Banker" means either Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. or, if such firms are unwilling or unable to select the Comparable Treasury Issues, an independent banking institution of national standing selected by the Company.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "H.15(519)" or (2) if such release (or any successor

release) is not published or does not contain such prices on such business day, (a) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if the Company obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer (as defined below) and any redemption date, the average, as determined by the Company, 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 Company by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"Reference Treasury Dealer" means (1) each of Banc One Capital Markets, Inc., Barclays Capital Inc., J.P. Morgan Securities Inc. and Wachovia Securities, Inc. and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall replace that former dealer with another Primary Treasury Dealer and (2) up to four other Primary Treasury Dealers selected by the Company.

"Remaining Scheduled Payments" means, with respect to each Bond to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if that redemption date is prior to an interest payment date with respect to such Bond, the amount of the next succeeding scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to that redemption date.

SECTION 6. The 2008 Bonds, Series A, the 2013 Bonds, Series B, the 2008 Bonds, Series C and the 2013 Bonds, Series D are not redeemable by the operation of the maintenance and replacement provisions of the Indenture or with the proceeds of released property or in any other manner except as set forth in Section 5 hereof.

SECTION 7. The Company reserves the right, without any consent, vote or other action by the holders of the 2008 Bonds, Series A, the 2013 Bonds, Series B, the 2008 Bonds, Series C and the 2013 Bonds, Series D, or of any subsequent series of bonds issued under the Indenture, to make such amendments to the Indenture, as supplemented, as shall be necessary in order to amend Section 17.02 to read as follows:

> SECTION 17.02. With the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding or their attorneys-in-fact duly authorized, or, if fewer than all series are affected, not less than a majority in principal amount of the bonds at the time outstanding of each series the rights of the holders of which are affected, voting together, the Company, when authorized by a resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or modifying the rights and

obligations of the Company and the rights of the holders of any of the bonds and coupons; provided, however, that no such supplemental indenture shall (1) extend the maturity of any of the bonds or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected, or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the bonds then outstanding, or (3) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the bonds then outstanding. For the purposes of this Section, bonds shall be deemed to be affected by a supplemental indenture if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against its property. The Trustee may in its discretion determine whether or not, in accordance with the foregoing, bonds of any particular series would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of bonds of such series and all other series. Subject to the provisions of Sections 16.02 and 16.03 hereof, the Trustee shall not be liable for any determination made in good faith in connection herewith.

Upon the written request of the Company, accompanied by a resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of bondholders as aforesaid (the instrument or instruments evidencing such consent to be dated within one year of such request), the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Company and the Trustee, if they so elect, and either before or after such consent has been obtained, may require the holder of any bond consenting to the execution of any such supplemental indenture to submit his bond to the Trustee or to ask such bank, banker or trust company as may be designated by the Trustee for the purpose, for the notation thereon of the fact that the holder of such bond has consented to the execution of such supplemental indenture, and in such case such notation, in form satisfactory to the Trustee, shall be made upon all bonds so submitted, and

such bonds bearing such notation shall forthwith be returned to the persons entitled thereto.

Prior to the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in one daily newspaper of general circulation in each city in which the principal of any of the bonds shall be payable, or, if all bonds outstanding shall be registered bonds without coupons or coupon bonds registered as to principal, such notice shall be sufficiently given if mailed, first class, postage prepaid, and registered if the Company so elects, to each registered holder of bonds at the last address of such holder appearing on the registry books, such publication or mailing, as the case may be, to be made not less than thirty days prior to such execution. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 8. As supplemented and amended as above set forth, the Indenture is in all respects ratified and confirmed, and the Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 9. The Trustee assumes no responsibility for or in respect of the validity or sufficiency of this Supplemental Indenture or of the Indenture as hereby supplemented or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein (other than those contained in the sixth, seventh and eighth recitals hereof), all of which recitals and statements are made solely by the Company.

SECTION 10. This Supplemental Indenture may be simultaneously executed in several counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

SECTION 11. In the event the date of any notice required or permitted hereunder shall not be a Business Day (as defined below), then (notwithstanding any other provision of the Indenture or of any supplemental indenture thereto) such notice need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for such notice. "Business Day" means, with respect to this Section 11, any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system.

SECTION 12. This Supplemental Indenture, the 2008 Bonds, Series A, the 2013 Bonds, Series B, the 2008 Bonds, Series C and the 2013 Bonds, Series D shall be governed by and deemed to be a contract under, and construed in accordance with, the laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

SECTION 13. Detailed Description of Property Mortgaged:

I.

ELECTRIC GENERATING PLANTS AND DAMS

All the electric generating plants and stations of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including all powerhouses, buildings, reservoirs, dams, pipelines, flumes, structures and works and the land on which the same are situated and all water rights and all other lands and easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such plants and stations or any of them, or adjacent thereto.

II.

ELECTRIC TRANSMISSION LINES

All the electric transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including towers, poles, pole lines, wires, switches, switch racks, switchboards, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation. Also all the real property, rights of way, easements, permits, privileges and rights for or relating to the construction, maintenance or operation of certain transmission lines, the land and rights for which are owned by the Company, which are either not built or now being constructed.

III.

ELECTRIC DISTRIBUTION SYSTEMS

All the electric distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including substations, transformers, switchboards, towers, poles, wires, insulators, subways, trenches, conduits, manholes, cables, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any

public streets or highways within as well as without the corporate limits of any municipal corporation.

IV.

ELECTRIC SUBSTATIONS, SWITCHING STATIONS AND SITES

All the substations, switching stations and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for transforming, regulating, converting or distributing or otherwise controlling electric current at any of its plants and elsewhere, together with all buildings, transformers, wires, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such substations and switching stations, or adjacent thereto, with sites to be used for such purposes.

V.

GAS COMPRESSOR STATIONS, GAS PROCESSING PLANTS, DESULPHURIZATION STATIONS, METERING STATIONS, ODORIZING STATIONS, REGULATORS AND SITES

All the compressor stations, processing plants, desulphurization stations, metering stations, odorizing stations, regulators and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for compressing, processing, desulphurizing, metering, odorizing and regulating manufactured or natural gas at any of its plants and elsewhere, together with all buildings, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such purposes, with sites to be used for such purposes.

VI.

GAS STORAGE FIELDS

The natural gas rights and interests of the Company, including wells and well lines (but not including natural gas, oil and minerals), the gas gathering system, the underground gas storage rights, the underground gas storage wells and injection and withdrawal system used in connection therewith, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture: In the Overisel Gas Storage Field, located in the Township of Overisel, Allegan County, and in the Township of Zeeland, Ottawa County, Michigan; in the Northville Gas Storage Field located in the Township of Salem, Washtenaw County, Township of Lyon, Oakland County, and the Townships of Northville and Plymouth and City of Plymouth, Wayne County, Michigan; in the Salem Gas Storage Field, located in the Township of Salem, Allegan County, and in the Township of Jamestown, Ottawa County, Michigan; in the Ray Gas Storage Field, located in the Townships of Ray and Armada, Macomb County, Michigan; in the Lenox

Gas Storage Field, located in the Townships of Lenox and Chesterfield, Macomb County, Michigan; in the Ira Gas Storage Field, located in the Township of Ira, St. Clair County, Michigan; in the Puttygut Gas Storage Field, located in the Township of Casco, St. Clair County, Michigan; in the Four Corners Gas Storage Field, located in the Townships of Casco, China, Cottrellville and Ira, St. Clair County, Michigan; in the Swan Creek Gas Storage Field, located in the Township of Casco and Ira, St. Clair County, Michigan; and in the Hessen Gas Storage Field, located in the Townships of Casco and Columbus, St. Clair, Michigan.

VII.

GAS TRANSMISSION LINES

All the gas transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including gas mains, pipes, pipelines, gates, valves, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, right of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

VIII.

GAS DISTRIBUTION SYSTEMS

All the gas distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including tunnels, conduits, gas mains and pipes, service pipes, fittings, gates, valves, connections, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IX.

OFFICE BUILDINGS, SERVICE BUILDINGS, GARAGES, ETC.

All office, garage, service and other buildings of the Company, wherever located, in the State of Michigan, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, together with the land on which the same are situated and all easements, rights of way and appurtenances to said lands, together with all furniture and fixtures located in said buildings.

X.

TELEPHONE PROPERTIES AND
RADIO COMMUNICATION EQUIPMENT

All telephone lines, switchboards, systems and equipment of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, used or available for use in the operation of its properties, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such telephone properties or any of them or adjacent thereto; together with all real estate, rights of way, easements, permits, privileges, franchises, property, devices or rights related to the dispatch, transmission, reception or reproduction of messages, communications, intelligence, signals, light, vision or sound by electricity, wire or otherwise, including all telephone equipment installed in buildings used as general and regional offices, substations and generating stations and all telephone lines erected on towers and poles; and all radio communication equipment of the Company, together with all property, real or personal (except any in the Indenture expressly excepted), fixed stations, towers, auxiliary radio buildings and equipment, and all appurtenances used in connection therewith, wherever located, in the State of Michigan.

XI.

OTHER REAL PROPERTY

All other real property of the Company and all interests therein, of every nature and description (except any in the Indenture expressly excepted) wherever located, in the State of Michigan, acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture. Such real property includes but is not limited to the following described property, such property is subject to any interests that were excepted or reserved in the conveyance to the Company:

ALCONA COUNTY

Certain land in Caledonia Township, Alcona County, Michigan described as:

The East 330 feet of the South 660 feet of the SW 1/4 of the SW 1/4 of Section 8, T28N, R8E, except the West 264 feet of the South 330 feet thereof; said land being more particularly described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section, run thence East along the South line of said section 1243 feet to the place of beginning of this description, thence continuing East along said South line of said section 66 feet to the West 1/8 line of said section, thence N 02 degrees 09' 30" E along the said West 1/8 line of said section 660 feet, thence West 330 feet, thence S 02 degrees 09' 30" W, 330 feet, thence East 264 feet, thence S 02 degrees 09' 30" W, 330 feet to the place of beginning.

ALLEGAN COUNTY

Certain land in Lee Township, Allegan County, Michigan described as:

The NE 1/4 of the NW 1/4 of Section 16, T1N, R15W.

ALPENA COUNTY

Certain land in Wilson and Green Townships, Alpena County, Michigan described as:

All that part of the S'ly 1/2 of the former Boyne City-Gaylord and Alpena Railroad right of way, being the Southerly 50 feet of a 100 foot strip of land formerly occupied by said Railroad, running from the East line of Section 31, T31N, R7E, Southwesterly across said Section 31 and Sections 5 and 6 of T30N, R7E and Sections 10, 11 and the E 1/2 of Section 9, except the West 1646 feet thereof, all in T30N, R6E.

ANTRIM COUNTY

Certain land in Mancelona Township, Antrim County, Michigan described as:

The S 1/2 of the NE 1/4 of Section 33, T29N, R6W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the State of Michigan to August W. Schack and Emma H. Schack, his wife, dated April 15, 1946 and recorded May 20, 1946 in Liber 97 of Deeds on page 682 of Antrim County Records.

ARENAC COUNTY

Certain land in Standish Township, Arenac County, Michigan described as:

A parcel of land in the SW 1/4 of the NW 1/4 of Section 12, T18N, R4E, described as follows: To find the place of beginning of said parcel of land, commence at the Northwest corner of Section 12, T18N, R4E; run thence South along the West line of said section, said West line of said section being also the center line of East City Limits Road 2642.15 feet to the W 1/4 post of said section and the place of beginning of said parcel of land; running thence N 88 degrees 26' 00" E along the East and West 1/4 line of said section, 660.0 feet; thence North parallel with the West line of said section, 310.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet; thence South parallel with the West line of said section, 260.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet to the West line of said section and the center line of East City Limits Road; thence South along the said West line of said section, 50.0 feet to the place of beginning.

BARRY COUNTY

Certain land in Johnstown Township, Barry County, Michigan described as:

A strip of land 311 feet in width across the SW 1/4 of the NE 1/4 of Section 31, T1N, R8W, described as follows: To find the place of beginning of this description, commence at the E 1/4 post of said section; run thence N 00 degrees 55' 00" E along the East line of said section, 555.84 feet; thence N 59 degrees 36' 20" W, 1375.64 feet; thence N 88 degrees 30' 00" W, 130 feet to a point on the East 1/8 line of said section and the place of beginning of this description; thence continuing N 88 degrees 30' 00" W, 1327.46 feet to the North and South 1/4 line of said section; thence S 00 degrees 39'35" W along said North and South 1/4 line of said section, 311.03 feet to a point, which said point is 952.72 feet distant N'ly from the East and West 1/4 line of said section as measured along said North and South 1/4 line of said section; thence S 88 degrees 30' 00" E, 1326.76 feet to the East 1/8 line of said section; thence N 00 degrees 47' 20" E along said East 1/8 line of said section, 311.02 feet to the place of beginning.

BAY COUNTY

Certain land in Frankenlust Township, Bay County, Michigan described as:

The South 250 feet of the N 1/2 of the W 1/2 of the W 1/2 of the SE 1/4 of Section 9, T13N, R4E.

BENZIE COUNTY

Certain land in Benzonia Township, Benzie County, Michigan described as:

A parcel of land in the Northeast 1/4 of Section 7, Township 26 North, Range 14 West, described as beginning at a point on the East line of said Section 7, said point being 320 feet North measured along the East line of said section from the East 1/4 post; running thence West 165 feet; thence North parallel with the East line of said section 165 feet; thence East 165 feet to the East line of said section; thence South 165 feet to the place of beginning.

BRANCH COUNTY

Certain land in Girard Township, Branch County, Michigan described as:

A parcel of land in the NE 1/4 of Section 23 T5S, R6W, described as beginning at a point on the North and South quarter line of said section at a point 1278.27 feet distant South of the North quarter post of said section, said distance being measured along the North and South quarter line of said section, running thence S89 degrees21'E 250 feet, thence North along a line parallel with the said North and South quarter line of said section 200 feet, thence N89 degrees 21'W 250 feet to the North and South quarter line of said section, thence South along

said North and South quarter line of said section 200 feet to the place of beginning.

CALHOUN COUNTY

Certain land in Convis Township, Calhoun County, Michigan described as:

A parcel of land in the SE 1/4 of the SE 1/4 of Section 32, T1S, R6W, described as follows: To find the place of beginning of this description, commence at the Southeast corner of said section; run thence North along the East line of said section 1034.32 feet to the place of beginning of this description; running thence N 89 degrees 39' 52" W, 333.0 feet; thence North 290.0 feet to the South 1/8 line of said section; thence S 89 degrees 39' 52" E along said South 1/8 line of said section 333.0 feet to the East line of said section; thence South along said East line of said section 290.0 feet to the place of beginning. (Bearings are based on the East line of Section 32, T1S, R6W, from the Southeast corner of said section to the Northeast corner of said section assumed as North.)

CASS COUNTY

Certain easement rights located across land in Marcellus Township, Cass County, Michigan described as:

The East 6 rods of the SW 1/4 of the SE 1/4 of Section 4, T5S, R13W.

CHARLEVOIX COUNTY

Certain land in South Arm Township, Charlevoix County, Michigan described as:

A parcel of land in the SW 1/4 of Section 29, T32N, R7W, described as follows: Beginning at the Southwest corner of said section and running thence North along the West line of said section 788.25 feet to a point which is 528 feet distant South of the South 1/8 line of said section as measured along the said West line of said section; thence N 89 degrees 30' 19" E, parallel with said South 1/8 line of said section 442.1 feet; thence South 788.15 feet to the South line of said section; thence S 89 degrees 29' 30" W, along said South line of said section 442.1 feet to the place of beginning.

CHEBOYGAN COUNTY

Certain land in Inverness Township, Cheboygan County, Michigan described as:

A parcel of land in the SW frl 1/4 of Section 31, T37N, R2W, described as beginning at the Northwest corner of the SW frl 1/4, running thence East on the East and West quarter line of said Section, 40 rods, thence South parallel to the West line of said Section 40 rods, thence West 40 rods to the West line of said Section, thence North 40 rods to the place of beginning.

CLARE COUNTY

Certain land in Frost Township, Clare County, Michigan described as:

The East 150 feet of the North 225 feet of the NW 1/4 of the NW 1/4 of Section 15, T20N, R4W.

CLINTON COUNTY

Certain land in Watertown Township, Clinton County, Michigan described as:

The NE 1/4 of the NE 1/4 of the SE 1/4 of Section 22, and the North 165 feet of the NW 1/4 of the NE 1/4 of the SE 1/4 of Section 22, T5N, R3W.

CRAWFORD COUNTY

Certain land in Lovells Township, Crawford County, Michigan described as:

A parcel of land in Section 1, T28N, R1W, described as: Commencing at NW corner said section; thence South 89 degrees53'30" East along North section line 105.78 feet to point of beginning; thence South 89 degrees53'30" East along North section line 649.64 feet; thence South 55 degrees 42'30" East 340.24 feet; thence South 55 degrees 44' 37"" East 5,061.81 feet to the East section line; thence South 00 degrees 00' 08"" West along East section line 441.59 feet; thence North 55 degrees 44' 37" West 5,310.48 feet; thence North 55 degrees 42'30" West 877.76 feet to point of beginning.

EATON COUNTY

Certain land in Eaton Township, Eaton County, Michigan described as:

A parcel of land in the SW 1/4 of Section 6, T2N, R4W, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence N 89 degrees 51' 30" E along the South line of said section 400 feet to the place of beginning of this description; thence continuing N 89 degrees 51' 30" E, 500 feet; thence N 00 degrees 50' 00" W, 600 feet; thence S 89 degrees 51' 30" W parallel with the South line of said section 500 feet; thence S 00 degrees 50' 00" E, 600 feet to the place of beginning.

EMMET COUNTY

Certain land in Wawatam Township, Emmet County, Michigan described as:

The West 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 23, T39N, R4W.

GENESEE COUNTY

Certain land in Argentine Township, Genesee County, Michigan described as:

A parcel of land of part of the SW 1/4 of Section 8, T5N, R5E, being more particularly described as follows:

Beginning at a point of the West line of Duffield Road, 100 feet wide, (as now established) distant 829.46 feet measured N01 degrees42'56"W and 50 feet measured S88 degrees14'04"W` from the South quarter corner, Section 8, T5N, R5E; thence S88 degrees14'04"W a distance of 550 feet; thence N01 degrees42'56"W a distance of 500 feet to a point on the North line of the South half of the Southwest quarter of said Section 8; thence N88 degrees14'04"E along the North line of South half of the Southwest quarter of said Section 8 a distance 550 feet to a point on the West line of Duffield Road, 100 feet wide (as now established); thence S01 degrees42'56"E along the West line of said Duffield Road a distance of 500 feet to the point of beginning.

GLADWIN COUNTY

Certain land in Secord Township, Gladwin County, Michigan described as:

The East 400 feet of the South 450 feet of Section 2, T19N, R1E.

GRAND TRAVERSE COUNTY

Certain land in Mayfield Township, Grand Traverse County, Michigan described as:

A parcel of land in the Northwest 1/4 of Section 3, T25N, R11W, described as follows: Commencing at the Northwest corner of said section, running thence S 89 degrees19'15" E along the North line of said section and the center line of Clouss Road 225 feet, thence South 400 feet, thence N 89 degrees19'15" W 225 feet to the West line of said section and the center line of Hannah Road, thence North along the West line of said section and the center line of Hannah Road 400 feet to the place of beginning for this description.

GRATIOT COUNTY

Certain land in Fulton Township, Gratiot County, Michigan described as:

A parcel of land in the NE 1/4 of Section 7, Township 9 North, Range 3 West, described as beginning at a point on the North line of George Street in the Village of Middleton, which is 542 feet East of the North and South one-quarter (1/4) line of said Section 7; thence North 100 feet; thence East 100 feet; thence South 100 feet to the North line of George Street; thence West along the North line of George Street 100 feet to place of beginning.

HILLSDALE COUNTY

Certain land in Litchfield Village, Hillsdale County, Michigan described as:

Lot 238 of Assessors Plat of the Village of Litchfield.

HURON COUNTY

Certain easement rights located across land in Sebewaing Township, Huron County, Michigan described as:

The North 1/2 of the Northwest 1/4 of Section 15, T15N, R9E.

INGHAM COUNTY

Certain land in Vevay Township, Ingham County, Michigan described as:

A parcel of land 660 feet wide in the Southwest 1/4 of Section 7 lying South of the centerline of Sitts Road as extended to the North-South 1/4 line of said Section 7, T2N, R1W, more particularly described as follows: Commence at the Southwest corner of said Section 7, thence North along the West line of said Section 2502.71 feet to the centerline of Sitts Road; thence South 89 degrees54'45" East along said centerline 2282.38 feet to the place of beginning of this description; thence continuing South 89 degrees54'45" East along said centerline and said centerline extended 660.00 feet to the North-South 1/4 line of said section; thence South 00 degrees07'20" West 1461.71 feet; thence North 89 degrees34'58" West 660.00 feet; thence North 00 degrees07'20" East 1457.91 feet to the centerline of Sitts Road and the place of beginning.

IONIA COUNTY

Certain land in Sebewa Township, Ionia County, Michigan described as:

A strip of land 280 feet wide across that part of the SW 1/4 of the NE 1/4 of Section 15, T5N, R6W, described as follows:

To find the place of beginning of this description commence at the E 1/4 corner of said section; run thence N 00 degrees 05' 38" W along the East line of said section, 1218.43 feet; thence S 67 degrees 18' 24" W, 1424.45 feet to the East 1/8 line of said section and the place of beginning of this description; thence continuing S 67 degrees 18' 24" W, 1426.28 feet to the North and South 1/4 line of said section at a point which said point is 105.82 feet distant N'ly of the center of said section as measured along said North and South 1/4 line of said section; thence N 00 degrees 04' 47" E along said North and South 1/4 line of said section, 303.67 feet; thence N 67 degrees 18' 24" E, 1425.78 feet to the East 1/8 line of said section; thence S 00 degrees 00' 26" E along said East 1/8 line of said section, 303.48 feet to the place of beginning. (Bearings are based on the East line of

Section 15, T5N, R6W, from the E 1/4 corner of said section to the Northeast corner of said section assumed as N 00 degrees 05' 38" W.)

IOSCO COUNTY

Certain land in Alabaster Township, Iosco County, Michigan described as:

A parcel of land in the NW 1/4 of Section 34, T21N, R7E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence South along the North and South 1/4 line of said section, 1354.40 feet to the place of beginning of this description; thence continuing South along the said North and South 1/4 line of said section, 165.00 feet to a point on the said North and South 1/4 line of said section which said point is 1089.00 feet distant North of the center of said section; thence West 440.00 feet; thence North 165.00 feet; thence East 440.00 feet to the said North and South 1/4 line of said section and the place of beginning.

ISABELLA COUNTY

Certain land in Chippewa Township, Isabella County, Michigan described as:

The North 8 rods of the NE 1/4 of the SE 1/4 of Section 29, T14N, R3W.

JACKSON COUNTY

Certain land in Waterloo Township, Jackson County, Michigan described as:

A parcel of land in the North fractional part of the N fractional 1/2 of Section 2, T1S, R2E, described as follows: To find the place of beginning of this description commence at the E 1/4 post of said section; run thence N 01 degrees 03' 40" E along the East line of said section 1335.45 feet to the North 1/8 line of said section and the place of beginning of this description; thence N 89 degrees 32' 00" W, 2677.7 feet to the North and South 1/4 line of said section; thence S 00 degrees 59' 25" W along the North and South 1/4 line of said section 22.38 feet to the North 1/8 line of said section; thence S 89 degrees 59' 10" W along the North 1/8 line of said section 2339.4 feet to the center line of State Trunkline Highway M-52; thence N 53 degrees 46' 00" W along the center line of said State Trunkline Highway 414.22 feet to the West line of said section; thence N 00 degrees 55' 10" E along the West line of said section 74.35 feet; thence S 89 degrees 32' 00" E, 5356.02 feet to the East line of said section; thence S 01 degrees 03' 40" W along the East line of said section 250 feet to the place of beginning.

KALAMAZOO COUNTY

Certain land in Alamo Township, Kalamazoo County, Michigan described as:

The South 350 feet of the NW 1/4 of the NW 1/4 of Section 16, T1S, R12W, being more particularly described as follows: To find the place of

beginning of this description, commence at the Northwest corner of said section; run thence S 00 degrees 36' 55" W along the West line of said section 971.02 feet to the place of beginning of this description; thence continuing S 00 degrees 36' 55" W along said West line of said section 350.18 feet to the North 1/8 line of said section; thence S 87 degrees 33' 40" E along the said North 1/8 line of said section 1325.1 feet to the West 1/8 line of said section; thence N 00 degrees 38' 25" E along the said West 1/8 line of said section 350.17 feet; thence N 87 degrees 33' 40" W, 1325.25 feet to the place of beginning.

KALKASKA COUNTY

Certain land in Kalkaska Township, Kalkaska County, Michigan described as:

The NW 1/4 of the SW 1/4 of Section 4, T27N, R7W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the Department of Conservation for the State of Michigan to George Welker and Mary Welker, his wife, dated October 9, 1934 and recorded December 28, 1934 in Liber 39 on page 291 of Kalkaska County Records, and subject to easement for pipeline purposes as granted to Michigan Consolidated Gas Company by first party herein on April 4, 1963 and recorded June 21, 1963 in Liber 91 on page 631 of Kalkaska County Records.

KENT COUNTY

Certain land in Caledonia Township, Kent County, Michigan described as:

A parcel of land in the Northwest fractional 1/4 of Section 15, T5N, R10W, described as follows: To find the place of beginning of this description commence at the North 1/4 corner of said section, run thence S 0 degrees 59' 26" E along the North and South 1/4 line of said section 2046.25 feet to the place of beginning of this description, thence continuing S 0 degrees 59' 26" E along said North and South 1/4 line of said section 332.88 feet, thence S 88 degrees 58' 30" W 2510.90 feet to a point herein designated "Point A" on the East bank of the Thornapple River, thence continuing S 88 degrees 53' 30" W to the center thread of the Thornapple River, thence NW'ly along the center thread of said Thornapple River to a point which said point is S 88 degrees 58' 30" W of a point on the East bank of the Thornapple River herein designated "Point B", said "Point B" being N 23 degrees 41' 35" W 360.75 feet from said above-described "Point A", thence N 88 degrees 58' 30" E to said "Point B", thence continuing N 88 degrees 58' 30" E 2650.13 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R10W between the East 1/4 corner of said section and the Northeast corner of said section assumed as N 0 degrees 59' 55" W.)

LAKE COUNTY

Certain land in Pinora and Cherry Valley Townships, Lake County, Michigan described as:

A strip of land 50 feet wide East and West along and adjoining the West line of highway on the East side of the North 1/2 of Section 13 T18N, R12W. Also a strip of land 100 feet wide East and West along and adjoining the East line of the highway on the West side of following described land: The South 1/2 of NW 1/4, and the South 1/2 of the NW 1/4 of the SW 1/4, all in Section 6, T18N, R11W.

LAPEER COUNTY

Certain land in Hadley Township, Lapeer County, Michigan described as:

The South 825 feet of the W 1/2 of the SW 1/4 of Section 24, T6N, R9E, except the West 1064 feet thereof.

LEELANAU COUNTY

Certain land in Cleveland Township, Leelanau County, Michigan described as:

The North 200 feet of the West 180 feet of the SW 1/4 of the SE 1/4 of Section 35, T29N, R13W.

LENAWEE COUNTY

Certain land in Madison Township, Lenawee County, Michigan described as:

A strip of land 165 feet wide off the West side of the following described premises: The E 1/2 of the SE 1/4 of Section 12. The E 1/2 of the NE 1/4 and the NE 1/4 of the SE 1/4 of Section 13, being all in T7S, R3E, excepting therefrom a parcel of land in the E 1/2 of the SE 1/4 of Section 12, T7S, R3E, beginning at the Northwest corner of said E 1/2 of the SE 1/4 of Section 12, running thence East 4 rods, thence South 6 rods, thence West 4 rods, thence North 6 rods to the place of beginning.

LIVINGSTON COUNTY

Certain land in Cohoctah Township, Livingston County, Michigan described as:

Parcel 1

The East 390 feet of the East 50 rods of the SW 1/4 of Section 30, T4N, R4E.

Parcel 2

A parcel of land in the NW 1/4 of Section 31, T4N, R4E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 13' 06" W along the North line of said section, 330 feet to the place of beginning of this description; running thence S 00 degrees 52' 49" W, 2167.87 feet; thence N 88 degrees 59' 49" W, 60 feet; thence N 00 degrees 52' 49" E, 2167.66 feet to the North line of said section; thence S 89 degrees 13' 06" E along said North line of said section, 60 feet to the place of beginning.

MACOMB COUNTY

Certain land in Macomb Township, Macomb County, Michigan described as:

A parcel of land commencing on the West line of the E 1/2 of the NW 1/4 of fractional Section 6, 20 chains South of the NW corner of said E 1/2 of the NW 1/4 of Section 6; thence South on said West line and the East line of A. Henry Kotner's Hayes Road Subdivision #15, according to the recorded plat thereof, as recorded in Liber 24 of Plats, on page 7, 24.36 chains to the East and West 1/4 line of said Section 6; thence East on said East and West 1/4 line 8.93 chains; thence North parallel with the said West line of the E 1/2 of the NW 1/4 of Section 6, 24.36 chains; thence West 8.93 chains to the place of beginning, all in T3N, R13E.

MANISTEE COUNTY

Certain land in Manistee Township, Manistee County, Michigan described as:

A parcel of land in the SW 1/4 of Section 20, T22N, R16W, described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section; run thence East along the South line of said section 832.2 feet to the place of beginning of this description; thence continuing East along said South line of said section 132 feet; thence North 198 feet; thence West 132 feet; thence South 198 feet to the place of beginning, excepting therefrom the South 2 rods thereof which was conveyed to Manistee Township for highway purposes by a Quitclaim Deed dated June 13, 1919 and recorded July 11, 1919 in Liber 88 of Deeds on page 638 of Manistee County Records.

MASON COUNTY

Certain land in Riverton Township, Mason County, Michigan described as:

Parcel 1

The South 10 acres of the West 20 acres of the S 1/2 of the NE 1/4 of Section 22, T17N, R17W.

Parcel 2

A parcel of land containing 4 acres of the West side of highway, said parcel of land being described as commencing 16 rods South of the Northwest corner of the NW 1/4 of the SW 1/4 of Section 22, T17N, R17W, running thence South 64 rods, thence NE'ly and N'ly and NW'ly along the W'ly line of said highway to the place of beginning, together with any and all right, title, and interest of Howard C. Wicklund and Katherine E. Wicklund in and to that portion of the hereinbefore mentioned highway lying adjacent to the E'ly line of said above described land.

MECOSTA COUNTY

Certain land in Wheatland Township, Mecosta County, Michigan described as:

A parcel of land in the SW 1/4 of the SW 1/4 of Section 16, T14N, R7W, described as beginning at the Southwest corner of said section; thence East along the South line of Section 133 feet; thence North parallel to the West section line 133 feet; thence West 133 feet to the West line of said Section; thence South 133 feet to the place of beginning.

MIDLAND COUNTY

Certain land in Ingersoll Township, Midland County, Michigan described as:

The West 200 feet of the W 1/2 of the NE 1/4 of Section 4, T13N, R2E.

MISSAUKEE COUNTY

Certain land in Norwich Township, Missaukee County, Michigan described as:

A parcel of land in the NW 1/4 of the NW 1/4 of Section 16, T24N, R6W, described as follows: Commencing at the Northwest corner of said section, running thence N 89 degrees 01' 45" E along the North line of said section 233.00 feet; thence South 233.00 feet; thence S 89 degrees 01' 45" W, 233.00 feet to the West line of said section; thence North along said West line of said section 233.00 feet to the place of beginning. (Bearings are based on the West line of Section 16, T24N, R6W, between the Southwest and Northwest corners of said section assumed as North.)

MONROE COUNTY

Certain land in Whiteford Township, Monroe County, Michigan described as:

A parcel of land in the SW1/4 of Section 20, T8S, R6E, described as follows: To find the place of beginning of this description commence at the S 1/4 post of said section; run thence West along the South line of said section 1269.89 feet to the place of beginning of this description; thence continuing West along

said South line of said section 100 feet; thence N 00 degrees 50' 35" E, 250 feet; thence East 100 feet; thence S 00 degrees 50' 35" W parallel with and 16.5 feet distant W'ly of as measured perpendicular to the West 1/8 line of said section, as occupied, a distance of 250 feet to the place of beginning.

MONTCALM COUNTY

Certain land in Crystal Township, Montcalm County, Michigan described as:

The N 1/2 of the S 1/2 of the SE 1/4 of Section 35, T10N, R5W.

MONTMORENCY COUNTY

Certain land in the Village of Hillman, Montmorency County, Michigan described as:

Lot 14 of Hillman Industrial Park, being a subdivision in the South 1/2 of the Northwest 1/4 of Section 24, T31N, R4E, according to the plat thereof recorded in Liber 4 of Plats on Pages 32-34, Montmorency County Records.

MUSKEGON COUNTY

Certain land in Casnovia Township, Muskegon County, Michigan described as:

The West 433 feet of the North 180 feet of the South 425 feet of the SW 1/4 of Section 3, T10N, R13W.

NEWAYGO COUNTY

Certain land in Ashland Township, Newaygo County, Michigan described as:

The West 250 feet of the NE 1/4 of Section 23, T11N, R13W.

OAKLAND COUNTY

Certain land in Wixcom City, Oakland County, Michigan described as:

The E 75 feet of the N 160 feet of the N 330 feet of the W 526.84 feet of the NW 1/4 of the NW 1/4 of Section 8, T1N, R8E, more particularly described as follows: Commence at the NW corner of said Section 8, thence N 87 degrees 14' 29" E along the North line of said Section 8 a distance of 451.84 feet to the place of beginning for this description; thence continuing N 87 degrees 14' 29" E along said North section line a distance of 75.0 feet to the East line of the West 526.84 feet of the NW 1/4 of the NW 1/4 of said Section 8; thence S 02 degrees 37' 09" E along said East line a distance of 160.0 feet; thence S 87 degrees 14' 29" W a distance of 75.0 feet; thence N 02 degrees 37' 09" W a distance of 160.0 feet to the place of beginning.

OCEANA COUNTY

Certain land in Crystal Township, Oceana County, Michigan described as:

The East 290 feet of the SE 1/4 of the NW 1/4 and the East 290 feet of the NE 1/4 of the SW 1/4, all in Section 20, T16N, R16W.

OGEMAW COUNTY

Certain land in West Branch Township, Ogemaw County, Michigan described as:

The South 660 feet of the East 660 feet of the NE 1/4 of the NE 1/4 of Section 33, T22N, R2E.

OSCEOLA COUNTY

Certain land in Hersey Township, Osceola County, Michigan described as:

A parcel of land in the North 1/2 of the Northeast 1/4 of Section 13, T17N, R9W, described as commencing at the Northeast corner of said Section; thence West along the North Section line 999 feet to the point of beginning of this description; thence S 01 degrees 54' 20" E 1327.12 feet to the North 1/8 line; thence S 89 degrees 17' 05" W along the North 1/8 line 330.89 feet; thence N 01 degrees 54' 20" W 1331.26 feet to the North Section line; thence East along the North Section line 331 feet to the point of beginning.

OSCODA COUNTY

Certain land in Comins Township, Oscoda County, Michigan described as:

The East 400 feet of the South 580 feet of the W 1/2 of the SW 1/4 of Section 15, T27N, R3E.

OTSEGO COUNTY

Certain land in Corwith Township, Otsego County, Michigan described as:

Part of the NW 1/4 of the NE 1/4 of Section 28, T32N, R3W, described as: Beginning at the N 1/4 corner of said section; running thence S 89 degrees 04' 06" E along the North line of said section, 330.00 feet; thence S 00 degrees 28' 43" E, 400.00 feet; thence N 89 degrees 04' 06" W, 330.00 feet to the North and South 1/4 line of said section; thence N 00 degrees 28' 43" W along the said North and South 1/4 line of said section, 400.00 feet to the point of beginning; subject to the use of the N'ly 33.00 feet thereof for highway purposes.

OTTAWA COUNTY

Certain land in Robinson Township, Ottawa County, Michigan described as:

The North 660 feet of the West 660 feet of the NE 1/4 of the NW 1/4 of Section 26, T7N, R15W.

PRESQUE ISLE COUNTY

Certain land in Belknap and Pulawski Townships, Presque Isle County, Michigan described as:

Part of the South half of the Northeast quarter, Section 24, T34N, R5E, and part of the Northwest quarter, Section 19, T34N, R6E, more fully described as: Commencing at the East 1/4 corner of said Section 24; thence N 00 degrees15'47" E, 507.42 feet, along the East line of said Section 24 to the point of beginning; thence S 88 degrees15'36" W, 400.00 feet, parallel with the North 1/8 line of said Section 24; thence N 00 degrees15'47" E, 800.00 feet, parallel with said East line of Section 24; thence N 88 degrees15'36"E, 800.00 feet, along said North 1/8 line of Section 24 and said line extended; thence S 00 degrees15'47" W, 800.00 feet, parallel with said East line of Section 24; thence S 88 degrees15'36" W, 400.00 feet, parallel with said North 1/8 line of Section 24 to the point of beginning.

Together with a 33 foot easement along the West 33 feet of the Northwest quarter lying North of the North 1/8 line of Section 24, Belknap Township, extended, in Section 19, T34N, R6E.

ROSCOMMON COUNTY

Certain land in Gerrish Township, Roscommon County, Michigan described as:

A parcel of land in the NW 1/4 of Section 19, T24N, R3W, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section, run thence East along the North line of said section 1,163.2 feet to the place of beginning of this description (said point also being the place of intersection of the West 1/8 line of said section with the North line of said section), thence S 01 degrees 01' E along said West 1/8 line 132 feet, thence West parallel with the North line of said section 132 feet, thence N 01 degrees 01' W parallel with said West 1/8 line of said section 132 feet to the North line of said section, thence East along the North line of said section 132 feet to the place of beginning.

SAGINAW COUNTY

Certain land in Chapin Township, Saginaw County, Michigan described as:

A parcel of land in the SW 1/4 of Section 13, T9N, R1E, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence North along the West line of said section 1581.4 feet to the place of beginning of this description; thence continuing North along said West line of said section 230 feet to the center line of a creek; thence S 70 degrees 07' 00" E along said center line of said creek 196.78 feet; thence South 163.13 feet; thence West 185 feet to the West line of said section and the place of beginning.

SANILAC COUNTY

Certain easement rights located across land in Minden Township, Sanilac County, Michigan described as:

The Southeast 1/4 of the Southeast 1/4 of Section 1, T14N, R14E, excepting therefrom the South 83 feet of the East 83 feet thereof.

SHIAWASSEE COUNTY

Certain land in Burns Township, Shiawassee County, Michigan described as:

The South 330 feet of the E 1/2 of the NE 1/4 of Section 36, T5N, R4E.

ST. CLAIR COUNTY

Certain land in Ira Township, St. Clair County, Michigan described as:

The N 1/2 of the NW 1/4 of the NE 1/4 of Section 6, T3N, R15E.

ST. JOSEPH COUNTY

Certain land in Mendon Township, St. Joseph County, Michigan described as:

The North 660 feet of the West 660 feet of the NW 1/4 of SW 1/4, Section 35, T5S, R10W.

TUSCOLA COUNTY

Certain land in Millington Township, Tuscola County, Michigan described as:

A strip of land 280 feet wide across the East 96 rods of the South 20 rods of the N 1/2 of the SE 1/4 of Section 34, T10N, R8E, more particularly described as commencing at the Northeast corner of Section 3, T9N, R8E, thence S 89 degrees 55' 35" W along the South line of said Section 34 a distance of 329.65 feet, thence N 18 degrees 11' 50" W a distance of 1398.67 feet to the South 1/8

line of said Section 34 and the place of beginning for this description; thence continuing N 18 degrees 11' 50" W a distance of 349.91 feet; thence N 89 degrees 57' 01" W a distance of 294.80 feet; thence S 18 degrees 11' 50" E a distance of 350.04 feet to the South 1/8 line of said Section 34; thence S 89 degrees 58' 29" E along the South 1/8 line of said section a distance of 294.76 feet to the place of beginning.

VAN BUREN COUNTY

Certain land in Covert Township, Van Buren County, Michigan described as:

All that part of the West 20 acres of the N 1/2 of the NE fractional 1/4 of Section 1, T2S, R17W, except the West 17 rods of the North 80 rods, being more particularly described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 29' 20" E along the North line of said section 280.5 feet to the place of beginning of this description; thence continuing N 89 degrees 29' 20" E along said North line of said section 288.29 feet; thence S 00 degrees 44' 00" E, 1531.92 feet; thence S 89 degrees 33' 30" W, 568.79 feet to the North and South 1/4 line of said section; thence N 00 degrees 44' 00" W along said North and South 1/4 line of said section 211.4 feet; thence N 89 degrees 29' 20" E, 280.5 feet; thence N 00 degrees 44' 00" W, 1320 feet to the North line of said section and the place of beginning.

WASHTENAW COUNTY

Certain land in Manchester Township, Washtenaw County, Michigan described as:

A parcel of land in the NE 1/4 of the NW 1/4 of Section 1, T4S, R3E, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section; run thence East along the North line of said section 1355.07 feet to the West 1/8 line of said section; thence S 00 degrees 22' 20" E along said West 1/8 line of said section 927.66 feet to the place of beginning of this description; thence continuing S 00 degrees 22' 20" E along said West 1/8 line of said section 660 feet to the North 1/8 line of said section; thence N 86 degrees 36' 57" E along said North 1/8 line of said section 660.91 feet; thence N 00 degrees22' 20" W, 660 feet; thence S 86 degrees 36' 57" W, 660.91 feet to the place of beginning.

WAYNE COUNTY

Certain land in Livonia City, Wayne County, Michigan described as:

Commencing at the Southeast corner of Section 6, T1S, R9E; thence North along the East line of Section 6 a distance of 253 feet to the point of beginning; thence continuing North along the East line of Section 6 a distance of 50 feet; thence Westerly parallel to the South line of Section 6, a distance of 215

feet; thence Southerly parallel to the East line of Section 6 a distance of 50 feet; thence easterly parallel with the South line of Section 6 a distance of 215 feet to the point of beginning.

WEXFORD COUNTY

Certain land in Selma Township, Wexford County, Michigan described as:

A parcel of land in the NW 1/4 of Section 7, T22N, R10W, described as beginning on the North line of said section at a point 200 feet East of the West line of said section, running thence East along said North section line 450 feet, thence South parallel with said West section line 350 feet, thence West parallel with said North section line 450 feet, thence North parallel with said West section line 350 feet to the place of beginning.

SECTION 14. The Company is a transmitting utility under Section 9501(2) of the Michigan Uniform Commercial Code (M.C.L. 440.9501(2)) as defined in M.C.L. 440.9102(1)(aaaa).

IN WITNESS WHEREOF, said Consumers Energy Company has caused this Supplemental Indenture to be executed in its corporate name by its Chairman of the Board, President, a Vice President or its Treasurer and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and said JPMorgan Chase Bank, as Trustee as aforesaid, to evidence its acceptance hereof, has caused this Supplemental Indenture to be executed in its corporate name by a Vice President and its corporate seal to be hereunto affixed and to be attested by a Trust Officer, in several counterparts, all as of the day and year first above written.

CONSUMERS ENERGY COMPANY

(SEAL)

By: /s/ Paul A. Stadnikia

Paul A. Stadnikia
Treasurer

Attest:

/s/ Joyce H. Norkey
- ----------------------------
Joyce H. Norkey
Assistant Secretary

Signed, sealed and delivered
by CONSUMERS ENERGY COMPANY
in the presence of

/s/ Kimberly C. Wilson
- ----------------------------
Kimberly C. Wilson

/s/ Sammie B. Dalton
- ----------------------------
Sammie B. Dalton

STATE OF MICHIGAN)
ss.
COUNTY OF JACKSON)

The foregoing instrument was acknowledged before me this 30th day of April, 2003, by Paul A. Stadnikia, Treasurer of CONSUMERS ENERGY COMPANY, a Michigan corporation, on behalf of the corporation.

/s/ Margaret Hillman

Margaret Hillman, Notary Public
Jackson County, Michigan
My Commission Expires: June 14, 2004

[Seal]

JPMORGAN CHASE BANK, AS TRUSTEE

(SEAL)

By: /s/ L. O'Brien

L. O'Brien
Vice President

Attest:

/s/ Rosa Ciaccia

Rosa Ciaccia
Trust Officer

Signed, sealed and delivered
by JPMORGAN CHASE BANK
in the presence of

/s/ Kathleen Perry

Kathleen Perry
Vice President

/s/ William G. Keenan

WILLIAM G. KEENAN
VICE PRESIDENT

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 30th day of April, 2003, by L. O'Brien, a Vice President of JPMORGAN CHASE BANK, a New York corporation, on behalf of the corporation.

/s/ EMILY FAYAN

Notary Public
New York County, New York
My Commission Expires:

[Seal]

Prepared by:
Kimberly C. Wilson
One Energy Plaza, EP11-219
Jackson, MI 49201

When recorded, return to:
Consumers Energy Company
Business Services Real Estate Dept.
Attn: Nancy Fisher EP7-439
One Energy Plaza
Jackson, MI 49201

EXHIBIT 4(e)

==

TERM LOAN AGREEMENT

Dated as of March 26, 2003

between

CONSUMERS ENERGY COMPANY
as the Borrower,

and

BEAL BANK, S.S.B.
as the initial Bank and as Agent

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EXHIBITS

Exhibit A	Form of Supplemental Indenture
Exhibit B-1	Required Opinions from Michael D. VanHemert, Esq.
Exhibit B-2	Required Opinions from Miller, Canfield, Paddock and Stone, P.L.C.
Exhibit C	Form of Assignment and Assumption Agreement
Exhibit D	Form of Bond Delivery Agreement

SCHEDULES

Commitment Schedule

TERM LOAN AGREEMENT

This Term Loan Agreement (the "Agreement"), dated as of March 26, 2003, is among Consumers Energy Company, a Michigan corporation (the "Company"), the financial institutions listed on the signature pages hereof (together with their respective successors and assigns, the "Banks") and Beal Bank, S.S.B., a savings bank organized under the laws of the State of Texas, as Agent.

RECITALS

The Company has requested that the Banks make a $140,000,000 term loan to the Company and the Banks have agreed to do so upon the terms set forth in this Agreement. The Agent has agreed to act as agent on behalf of the Banks under the terms of this Agreement.

Accordingly, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

1.1. Definitions. As used in this Agreement:

"Agent" means Beal Bank, S.S.B. in its capacity as administrative agent for the Banks pursuant to Article XIII, and not in its individual capacity as a Bank, and any successor Agent appointed pursuant to Article XIII.

"Agreement" means this Term Loan Agreement, as amended from time to time.

"Applicable Margin" means, with respect to Eurodollar Rate Loans at any time, 4.75% per annum, and with respect to Floating Rate Loans at any time, 2.00% per annum.

"Approved Fund" means, with respect to any Bank that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Bank or by an affiliate of such investment advisor.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Assignment Agreement" - see Section 12.1(e).

"Banks" - see the preamble.

"Base Eurodollar Rate" means, with respect to any Interest Period applicable to a Eurodollar Rate Loan, the per annum interest rate determined by the offered rate per annum at which deposits in Dollars appears on Telerate page 3750 (or any successor page) as of 11:00 a.m. (London time), or in the event such offered rate is not available from the Telerate page, the rate offered on deposits in Dollars by Citibank's London Office to prime banks in the London interbank market at 11:00 a.m. (London time), on the Eurodollar Interest Rate Determination Date for such Interest Period and in an amount substantially equal to the amount of the Eurodollar Rate Loan to be outstanding from Beal Bank, S.S.B. for such Interest Period.

"Base Rate" means, as of any date, the prime rate of interest most recently announced or published by The Wall Street Journal from time to time, it being understood that if The Wall Street

Journal should at any time announce or publish more than one such prime rate of interest, the highest such announced or published prime rate of interest shall be used as the Base Rate hereunder.

"Bond Delivery Agreement" means a bond delivery agreement substantially in the form of Exhibit D whereby the Agent (x) acknowledges delivery of the Bonds and (y) agrees to hold the Bonds for the benefit of the Banks and to distribute all payments made by the Company on account thereof to the Banks.

"Bonds" means the series of First Mortgage Bonds created under the Supplemental Indenture issued in favor of, and in form and substance satisfactory to, the Agent.

"Building Lease" means the Master Lease and Lease Supplement, each dated as of April 23, 2001, between Consumers Campus Holdings, LLC, a wholly owned Subsidiary of the Company, as lessee, and Wilmington Trust Company, not in its individual capacity but solely as owner Trustee of CEC Trust 2001-A, as lessor, together with certain other related agreements, as the same may be amended, restated or otherwise modified and any similar agreement entered into replacement thereof.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Rate Loan, a day (other than a Saturday or Sunday) on which banks generally are open in New York, New York and Dallas, Texas for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in New York, New York and Dallas, Texas for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Capital Lease" means any lease which has been or would be capitalized on the books of the lessee in accordance with GAAP.

"Citibank" means Citibank, N.A., a national banking association.

"CMS" means CMS Energy Corporation, a Michigan corporation.

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

"Commitment Schedule" means the Schedule identifying each Bank's Term Loan Commitment as of the date hereof attached hereto and identified as such.

"Company" - see the preamble.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of the Company in accordance with GAAP.

"Continuation Notice" - see Section 2.5(b).

"Credit Agreement" means that certain 364 Day Credit Agreement, dated as of July 12, 2002, by and among the Company, the banks from time to time parties thereto, and Bank One, NA, as agent thereunder, as amended, restated, supplemented or otherwise modified from time to time.

"Debt" means, with respect to any Person, and without duplication, (a) all indebtedness of such Person for borrowed money, (b) all indebtedness of such Person for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business which are not overdue), (c) all Unfunded Vested Liabilities of such Person (if such Person is not the Company,

determined in a manner analogous to that of determining Unfunded Vested Liabilities of the Company), (d) all obligations of such Person arising under acceptance facilities, (e) all obligations of such Person as lessee under Capital Leases, (f) all obligations of such Person arising under any interest rate swap, "cap", "collar" or other hedging agreements; provided, however, for purposes of the calculation of Debt for this clause (f) only, the actual amount of Debt of such Person shall be determined on a net basis to the extent such agreements permit such amounts to be calculated on a net basis, and (g) all guaranties, endorsements (other than for collection in the ordinary course of business) and other contingent obligations of such Person to assure a creditor against loss (whether by the purchase of goods or services, the provision of funds for payment, the supply of funds to invest in any Person or otherwise) in respect of indebtedness or obligations of any other Person of the kinds referred to in clauses (a) through (f) above.

"Default" means an event which but for the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Designated Officer" means the Chief Financial Officer, the Treasurer, an Assistant Treasurer, any Vice President in charge of financial or accounting matters or the principal accounting officer of the Company.

"Effective Date" means March 26, 2003.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company or is under common control (within the meaning of Section 414(c) of the Code) with the Company.

"Eurodollar Interest Rate Determination Date" means the second Business Day prior to the first day of each Interest Period.

"Eurodollar Rate" means, with respect to any Interest Period applicable to a Eurodollar Rate Loan, an interest rate per annum equal to the sum of (i) the quotient obtained by dividing (a) the greater of 1.35% or the Base Eurodollar Rate applicable to that Interest Period by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to that Interest Period plus (ii) the Applicable Margin.

"Eurodollar Rate Loan" means a Term Loan which bears interest by reference to the Eurodollar Rate.

"Event of Default" means an event described in Article IX.

"Excluded Taxes" means, in the case of each Bank or applicable Lending Installation and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Bank or the Agent is incorporated or organized or (ii) the jurisdiction in which the Agent's or such Bank's principal executive office or such Bank's applicable Lending Installation is located.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day in New York, New York, for the next preceding Business Day) in New York, New York by the Federal Reserve Bank of New York, or if such rate is not so published for any day which is a Business Day in New York, New York, the average of the quotations for such day on such

transactions received by the Agent from three federal funds brokers of recognized standing selected by the Agent.

"FERC Approval" See Section 5.2.

"First Mortgage Bonds" means bonds issued by the Company pursuant to the Indenture.

"Fitch" means Fitch, Inc. or any successor thereto.

"Floating Rate" means a rate per annum equal to (i) the Base Rate plus (ii) the Applicable Margin, changing when and as the Base Rate changes.

"Floating Rate Loan" means a Term Loan which bears interest at the Floating Rate.

"FRB" means the Board of Governors of the Federal Reserve System or any successor thereto.

"GAAP" means generally accepted accounting principles in the United States of America as in effect on the date hereof, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 5.5 (except, for purposes of the financial statements required to be delivered pursuant to Sections 6.7(b) and (c), for changes concurred in by the Company's independent public accountants).

"Indenture" means the Indenture, dated as of September 1, 1945 from Consumers Power Company (predecessor to the Company) to City Bank Farmers Trust Company, as trustee, as supplemented and amended from time to time. JPMorgan Chase Bank is now the successor trustee under the Indenture.

"Interest Period" means, with respect to a Eurodollar Rate Loan, a period of one, two, three or six months, or such shorter or longer period agreed to by the Company and the Banks, commencing on a Business Day selected by the Company pursuant to this Agreement. Such Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter (or such shorter or longer period agreed to by the Company and the Banks), provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month (or such shorter or longer period, as applicable), such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month (or such shorter or longer period, as applicable). If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day. The Company may not select any Interest Period that ends after the Maturity Date.

"Lending Installation" means any office, branch, subsidiary or affiliate of a Bank.

"Lien" means any lien (statutory or otherwise), security interest, mortgage, deed of trust, priority, pledge, charge, conditional sale, title retention agreement, financing lease or other encumbrance or similar right of others, or any agreement to give any of the foregoing.

"Loan" means a Floating Rate Loan, a Eurodollar Rate Loan or any other principal portion of the Term Loans.

"Loan Documents" means this Agreement, the Indenture, the Supplemental Indenture and the Bonds.

"Majority Banks" means, as of any date of determination, Banks whose Pro Rata Shares, in the aggregate, are 51% or greater as of such date.

"Maturity Date" means March 26, 2009.

"Maximum Rate" means, at any time and with respect to any Bank, the maximum rate of nonusurious interest under applicable law that such Bank may charge the Company. The Maximum Rate shall be calculated in a manner that takes into account any and all fees, payments, and other charges contracted for, charged or received in connection with the Loan Documents that constitute interest under applicable law. Each change in any interest rate provided for herein based upon the Maximum Rate resulting from a change in the Maximum Rate shall take effect without notice to the Company at the time of such change in the Maximum Rate.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA.

"Net Proceeds" means, with respect to any sale or issuance of securities or incurrence of Debt by any Person, the excess of (i) the gross cash proceeds received by or on behalf of such Person in respect of such sale, issuance or incurrence (as the case may be) over (ii) customary underwriting commissions, auditing and legal fees, printing costs, rating agency fees and other customary and reasonable fees and expenses incurred by such Person in connection therewith.

"Net Worth" means, with respect to any Person, the excess of such Person's total assets over its total liabilities, total assets and total liabilities each to be determined in accordance with GAAP consistently applied, excluding, however, from the determination of total assets (i) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, (ii) cash held in a sinking or other analogous fund established for the purpose of redemption, retirement or prepayment of capital stock or Debt, and (iii) any items not included in clauses (i) or (ii) above, that are treated as intangibles in conformity with GAAP.

"Non-U.S. Bank" - see Section 4.5(d).

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Term Loans and all other obligations of the Company to the Banks or to any Bank or the Agent arising under the Loan Documents.

"Off-Balance Sheet Liability" of a Person means (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability under any sale and leaseback transaction which is not a Capital Lease, (iii) any liability under any so-called "synthetic lease" transaction entered into by such Person, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from this clause (iv) Operating Leases.

"Operating Lease" of a Person means any lease of Property (other than a Capital Lease) by such Person as lessee.

"Other Taxes" - see Section 4.5(b).

"Payment Date" means the last Business Day of each June, September, December and March occurring after the Effective Date.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

"Plan" means any employee benefit plan (other than a Multiemployer Plan) maintained for employees of the Company or any ERISA Affiliate and covered by Title IV of ERISA.

"Prepayment Fee" see Section 2.4.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Pro Rata Share" means, with respect to any Bank, at any time, the percentage obtained by dividing (i) the outstanding principal balance of such Bank's Term Loan at such time by (ii) the outstanding principal balance of all Term Loans.

"Receivables Sale Agreement" means the Amended and Restated Receivables Sale Agreement among the Company, Asset Securitization Cooperative Corporation and Canadian Imperial Bank of Commerce, dated as of April 1, 2002, as the same may be amended, restated or otherwise modified and any similar agreement entered into replacement thereof.

"Regulation D" means Regulation D of the FRB from time to time in effect and shall include any successor or other regulation or official interpretation of said FRB relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the FRB from time to time in effect and shall include any successor or other regulation or official interpretation of said FRB relating to the extension of credit by banks, non-banks and non-broker-dealers for the purpose of purchasing or carrying margin stocks.

"Reportable Event" has the meaning assigned to that term in Title IV of ERISA.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities or which is imposed by any other law or regulation applicable to a Bank.

"S&P" means Standard and Poor's Rating Services, a division of The McGraw Hill Companies, Inc. or any successor thereto.

"SEC" means the Securities and Exchange Commission or any governmental authority which may be substituted therefor.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Securitized Bonds" shall mean any nonrecourse bonds or similar asset-backed securities issued by a special-purpose Subsidiary of the Company which are payable solely from specialized charges

authorized by the utility commission of the relevant state in connection with the recovery of regulatory assets or other stranded costs.

"Senior Debt" means the First Mortgage Bonds.

"Single Employer Plan" means a Plan maintained by the Company or any ERISA Affiliate for employees of the Company or any ERISA Affiliate.

"Subsidiary" means, as to any Person, any corporation or other entity of which at least a majority of the securities or other ownership interests having ordinary voting power (absolutely or contingently) for the election of directors or other Persons performing similar functions are at the time owned directly or indirectly by such Person.

"Supplemental Indenture" means a supplemental indenture substantially in the form of Exhibit A.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes and Other Taxes.

"Termination Event" means (a) a Reportable Event described in Section 4043 of ERISA and the regulations issued thereunder (other than a Reportable Event not subject to the provision for 30-day notice to the PBGC under such regulations), or (b) the withdrawal of the Company or any of its ERISA Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate a Plan by the PBGC or to appoint a trustee to administer any Plan.

"Term Loan Commitment" means, for each Bank, the obligation of such Bank to make a term loan to the Company on the Effective Date in an amount not exceeding the amount set forth on the Commitment Schedule as its Term Loan Commitment.

"Term Loans" - see Section 2.1.

"Unfunded Vested Liabilities" means, (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, and (ii) in the case of Multiemployer Plans, the withdrawal liability of the Company and its ERISA Affiliates.

1.2. Singular and Plural. The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

1.3. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP.

ARTICLE II.

THE TERM LOANS

2.1. The Term Loans. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make a term loan to the Company on the Effective Date in an amount equal to such Bank's Term Loan Commitment (each individually, a "Term Loan" and collectively the "Term Loans").

2.2. Making of Term Loans. Not later than 1:00 p.m. (Dallas, Texas time) on the Effective Date, each Bank shall make available its applicable Term Loan in funds immediately available in Dallas, Texas to the Agent at its address specified pursuant to Section 14. No Bank's obligation to make any Term Loan shall be affected by any other Bank's failure to make any Term Loan.

2.3. Repayment of Term Loans. The Term Loans shall be paid in full on the Maturity Date.

2.4. Optional Principal Payments. The Company may, upon at least three (3) Business Days' prior written notice to the Agent (which the Agent shall promptly transmit to each Bank), at any time and from time to time, prepay the Term Loans, in whole or in part, provided that: (a) in connection with any prepayment made prior to March 26, 2008 the Company also agrees to pay to the Agent for the benefit of the Banks the Prepayment Fee and (b) in connection with any prepayment of a Eurodollar Rate Loans prior to the expiration date of the then applicable Interest Period therefor, the Company agrees to pay to the Agent for the benefit of the Banks the amounts required by Section 4.4. Any notice of prepayment given to the Agent under this Section 2.4 shall specify the date (which shall be a Business Day) of prepayment and the aggregate principal amount of the prepayment. When notice of prepayment is delivered as provided herein, the principal amount of the Term Loans specified in the notice shall become due and payable on the prepayment date specified in such notice. Unless the aggregate outstanding principal balance of the Term Loans is to be prepaid in full, voluntary prepayments of the Term Loans shall be in an aggregate minimum amount of $10,000,000 and integral multiples of $1,000,000 in excess of that amount. Each voluntary prepayment of the Term Loans shall be allocated first to Term Loans which are Floating Rate Loans until paid in full, then to Term Loans which are Eurodollar Rate Loans and then to any other portion of the Term Loans outstanding. Amounts prepaid hereunder may not be reborrowed. Upon any prepayment of the Term Loans pursuant to the terms of this Section 2.4, the Agent shall, upon request of the Company, promptly surrender to or upon the order of the Company one or more Bonds specified by the Company; provided that the Company remains in compliance with Section 6.10. The term "Prepayment Fee" means, with respect to any prepayment, a fee equal to the lesser of (i) the maximum prepayment fee the Banks may collect without violating applicable law or (ii) the following percentage of the amount of principal being prepaid during the period in question:

Period	Percentage
Effective Date through the first anniversary of the Effective Date	3.00%
From the first anniversary of the Effective Date through the second anniversary of the Effective Date	2.00%
From the second anniversary of the Effective Date through the fifth anniversary of the Effective Date	1.00%

In the event the maturity of the Term Loans is accelerated prior to March 26, 2008, the Company also agrees to pay to the Agent for the benefit of the Banks the Prepayment Fee on any amount of the Terms Loans subsequently repaid prior to March 26, 2008.

2.5. Establishment and Continuation of Eurodollar Rate Loans. (a) The Company shall have the option to: (A) establish the initial Interest Periods and amount of each Eurodollar Rate Loan to be created on the Effective Date; and (B) to continue all or any part of outstanding Eurodollar Rate Loans having Interest Periods which expire on the same date as Eurodollar Rate Loans, and the succeeding Interest Period of such continued Eurodollar Rate Loans shall commence on such expiration date; provided, however, no such outstanding Eurodollar Rate Loan may be continued as a Eurodollar Rate Loan (i) if the continuation of such Eurodollar Rate Loan would violate any of the provisions of this Agreement or (ii) if a Default or Event of Default would occur or has occurred and is continuing. Any continuation of Eurodollar Rate Loans under this Section 2.5 shall be in a minimum amount of $10,000,000 and in integral multiples of $1,000,000 in excess of that amount.

(b) To establish Eurodollar Rate Loans on the Effective Date, the Company shall deliver an irrevocable notice to the Agent no later than 11:00 a.m. (Dallas, Texas time) on the Effective Date. To continue a Eurodollar Rate Loan under Section 2.5(a), the Company shall deliver an irrevocable notice (a "Continuation Notice") to the Agent no later than 11:00 a.m. (Dallas, Texas time) at least three (3) Business Days in advance of the proposed continuation date. The notice of establishment of the initial Eurodollar Rate Loans and each Continuation Notice shall specify: (A) the proposed establishment or continuation date (which shall be a Business Day), (B) the principal amount of the Term Loan to be continued or established, and (C) the requested Interest Period. Promptly after receipt of a notice under this Section 2.5(b) (or telephonic notice in lieu thereof), the Agent shall notify each Bank by telex or telecopy, or other similar form of transmission, of the proposed continuation. Any notice under this Section 2.5(b) (or telephonic notice in lieu thereof) shall be irrevocable, and the Company shall be bound to continue in accordance therewith.

2.6. Interest Rates, Interest Payment Dates. Each Term Loan shall bear interest at a rate per annum equal to the applicable Eurodollar Rate for each applicable Interest Period therein; provided that:

(a) if the Company fails to establish Eurodollar Rate Loans hereunder or fails to continue a Eurodollar Rate Loan at the end of the Interest Period therefor as provided in Section 2.5, the principal amount of the Term Loan relating thereto shall bear interest at a per annum rate equal to the greater of 6.75% or the Floating Rate;

(b) if the Base Eurodollar Rate can not be determined for any Eurodollar Rate Loan and any Interest Period with respect thereto, any other event described in Section 4.3 occurs with respect to a Eurodollar Rate Loan or if any Interest Period applicable to any Eurodollar Rate Loan would be shorter than 30 days, the principal amount of the Term Loan relating to such Eurodollar Rate Loan shall bear interest at a per annum rate equal to the greater of 6.10% or the Floating Rate; and

(c) if an Event of Default exists, the Term Loans shall bear interest at a rate per annum equal to 2.00% plus the rate otherwise applicable thereto determined in accordance with this Section 2.6.

Changes in the rate of interest on that portion of any Term Loan maintained as a Floating Rate Loan will take effect simultaneously with each change in the Floating Rate. Interest accrued on each Loan shall be payable on each Payment Date and at maturity. Interest on all Term Loans shall be calculated for actual days elapsed on the basis of a 365 or 366 (as the case may be) day year. In computing interest on any Term Loan, the date of the making of the Term Loan or the first day of an Interest Period, as the case may be, shall be included and the date of payment or the expiration date an Interest Period, as the case may be, shall be excluded; provided, however, if a Term Loan is repaid on the same day on which it is made, one (1) day's interest shall be paid on such Term Loan. If any payment of principal of or interest on a Loan shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.7. Rate after Maturity. All Obligations (other than principal) which shall accrue interest as provided in Section 2.6) that are not paid when due (including, without limitation, overdue interest) shall bear interest until paid in full at a rate per annum equal to the Floating Rate plus 2%.

2.8. Method of Payment. All payments of principal, interest and fees hereunder shall be made in immediately available funds to the Agent at its address specified on its signature page to this Agreement (or at any other Lending Installation of the Agent specified in writing by the Agent to the Company) not later than 1:00 p.m. (Dallas, Texas time) on the date when due and shall be applied ratably by the Agent among the Banks. Funds received after such time shall be deemed received on the

following Business Day unless the Agent shall have received from, or on behalf of, the Company a Federal Reserve reference number with respect to such payment before 1:00 p.m. (Dallas, Texas time) on the date of such payment. Each payment delivered to the Agent for the account of any Bank shall be delivered promptly by the Agent in the same type of funds received by the Agent to such Bank at the address specified for such Bank on its signature page to this Agreement or at any Lending Installation specified in a notice received by the Agent from such Bank. The Agent is hereby authorized to charge the account of the Company maintained with Beal Bank, S.S.B., if any, for each payment of principal, interest and fees as such payment becomes due hereunder.

2.9. Evidence of Obligation; Telephonic Notices.

(a) The obligation of the Company to repay the Obligations shall be evidenced by one or more Bonds.

(b) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Company to such Bank resulting from each Term Loan made by such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder.

(c) The Agent shall also maintain accounts in which it will record (i) the amount of each Term Loan made hereunder, the interest rate applicable thereto and any Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Company to each Bank hereunder, and (iii) the amount of any sum received by the Agent hereunder from the Company and each Bank's share thereof.

(d) The entries maintained in the accounts maintained pursuant to paragraphs (b) and (c) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Agent or any Bank to maintain such accounts or any error therein shall not in any manner affect the obligation of the Company to repay the Obligations in accordance with their terms.

(e) The Company hereby authorizes the Banks and the Agent to make or continue Term Loans based on telephonic notices made by any person or persons the Agent or any Bank in good faith believes to be acting on behalf of the Company. The Company agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by a Designated Officer. If the written confirmation differs in any material respect from the action taken by the Agent and the Banks, the records of the Agent and the Banks shall govern absent manifest error.

2.10. Lending Installations. Subject to the provisions of Section 4.6, each Bank may book its Term Loans at any Lending Installation selected by such Bank and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Term Loans shall be deemed held by the applicable Bank for the benefit of such Lending Installation. Each Bank may, by written or facsimile notice to the Company, designate a Lending Installation through which Term Loans will be made by it and for whose account payments on the Term Loans are to be made.

2.11. Non-Receipt of Funds by the Agent. Unless a Bank or the Company, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Bank, the proceeds of a Term Loan or (ii) in the case of the Company, a payment of principal, interest or fees to the Agent for the account of the Banks, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption If such Bank or the Company, as the case may be, has not in fact made such payment to the Agent, the

recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Bank, the Federal Funds Rate for such day or (ii) in the case of payment by the Company, the interest rate applicable to the relevant Term Loan.

ARTICLE III.

RESERVED

ARTICLE IV.

CHANGE IN CIRCUMSTANCES

4.1. Yield Protection. (a) If any change in law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof by any agency or authority having jurisdiction over any Bank,

(i) subjects any Bank or any applicable Lending Installation to any increased tax, duty, charge or withholding on or from payments due from the Company (excluding taxation measured by or attributable to the overall net income of such Bank or applicable Lending Installation, whether overall or in any geographic area), or changes the rate of taxation of payments to any Bank in respect of its Term Loans or other amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Bank or any applicable Lending Installation (including, without limitation, any reserve costs under Regulation D with respect to Eurocurrency liabilities (as defined in Regulation D)), or

(iii) imposes any other condition the result of which is to increase the cost to any Bank or any applicable Lending Installation of making, funding or maintaining Term Loans, or reduces any amount receivable by any Bank or any applicable Lending Installation in connection with Term Loans or requires any Bank or any applicable Lending Installation to make any payment calculated by reference to its Term Loans or interest received by it, by an amount deemed material by such Bank, or

(iv) affects the amount of capital required or expected to be maintained by any Bank or Lending Installation or any corporation controlling any Bank and such Bank determines the amount of capital required is increased by or based upon the existence of this Agreement or its obligation to make Term Loans hereunder or of commitments of this type,

then, upon presentation by such Bank to the Company of a certificate (as referred to in the immediately succeeding sentence of this Section 4.1) setting forth the basis for such determination and the additional amounts reasonably determined by such Bank for the period of up to 90 days prior to the date on which such certificate is delivered to the Company and the Agent, to be sufficient to compensate such Bank in light of such circumstances, the Company shall within 30 days of such delivery of such certificate pay to the Agent for the account of such Bank the specified amounts set forth on such certificate. The affected Bank shall deliver to the Company and the Agent a certificate setting forth the basis of the claim and specifying in reasonable detail the calculation of such increased expense, which certificate shall be prima facie evidence as to such increase and such amounts. An affected Bank may deliver more than one

certificate to the Company during the term of this Agreement. In making the determinations contemplated by the above-referenced certificate, any Bank may make such reasonable estimates, assumptions, allocations and the like that such Bank in good faith determines to be appropriate, and such Bank's selection thereof in accordance with this Section 4.1 shall be conclusive and binding on the Company, absent manifest error.

(b) No Bank shall be entitled to demand compensation or be compensated hereunder to the extent that such compensation relates to any period of time more than 90 days prior to the date upon which such Bank first notified the Company of the occurrence of the event entitling such Bank to such compensation (unless, and to the extent, that any such compensation so demanded shall relate to the retroactive application of any event so notified to the Company).

4.2. Replacement Bank. If any Bank shall make a demand for payment under Section 4.1, then within 30 days after such demand, the Company may, with the approval of the Agent (which approval shall not be unreasonably withheld) and provided that no Default or Event of Default shall then have occurred and be continuing, demand that such Bank assign to one or more financial institutions designated by the Company and approved by the Agent all (but not less than all) of such Bank's outstanding Term Loans within the period ending on the later of such 30th day and the last day of the longest of the then current Interest Periods or maturity dates for such outstanding Term Loans. It is understood that such assignment shall be consummated on terms satisfactory to the Company, the Agent and the assigning Bank, provided that such assigning Bank's consent to such an assignment shall not be unreasonably withheld.

4.3. Availability of Eurodollar Rate Loans. If:

(i) any Bank determines that maintenance of a Eurodollar Rate Loan at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, or

(ii) the Majority Banks determine that (A) deposits of a type and maturity appropriate to match fund Eurodollar Rate Loans are not available or (B) the Base Eurodollar Rate does not accurately reflect the cost of making or maintaining a Eurodollar Rate Loan,

then the Agent shall suspend the availability of Eurodollar Rate Loans and the Term Loans or applicable portions thereof shall bear interest as provided in Section 2.6.

4.4. Funding Indemnification. If any payment of a Eurodollar Rate Loan occurs on a date which is not the last day of an applicable Interest Period, whether because of prepayment or otherwise, or a Eurodollar Rate Loan is not made on the date specified by the Company for any reason other than default by the Banks, the Company will indemnify each Bank for any loss or cost (but not lost profits) incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Rate Loan; provided that the Company shall not be liable for any of the foregoing to the extent they arise because of acceleration by any Bank.

4.5. Taxes.

(a) All payments by the Company to or for the account of any Bank or the Agent hereunder or under any Bond shall be made free and clear of and without deduction for any and all Taxes. If the Company shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Bank or the Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.5) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would

have received had no such deductions been made, (ii) the Company shall make such deductions, (iii) the Company shall pay the full amount deducted to the relevant authority in accordance with applicable law and (iv) the Company shall furnish to the Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

(b) In addition, the Company hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Bond or from the execution or delivery of, or otherwise with respect to, this Agreement or any Bond ("Other Taxes").

(c) The Company hereby agrees to indemnify the Agent and each Bank for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 4.5) paid by the Agent or such Bank and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Agent or such Bank makes demand therefor pursuant to Section 4.6.

(d) Each Bank that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Bank") agrees that it will, not more than ten Business Days after the date hereof, or, if later, not more than ten Business Days after becoming a Bank hereunder, (i) deliver to each of the Company and the Agent two (2) duly completed copies of United States Internal Revenue Service Form W8BEN or W8ECI, certifying in either case that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to each of the Company and the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Bank further undertakes to deliver to each of the Company and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Company or the Agent. All forms or amendments described in the preceding sentence shall certify that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form or amendment with respect to it and such Bank advises the Company and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(e) For any period during which a Non-U.S. Bank has failed to provide the Company with an appropriate form pursuant to clause (d), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Bank shall not be entitled to indemnification under this Section 4.5 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Bank which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (d) above, the Company shall take such steps as such Non-U.S. Bank shall reasonably request to assist such Non-U.S. Bank to recover such Taxes.

(f) Any Bank that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Bond pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Company (with a copy to the Agent), at the time or times

prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(g) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered or properly completed, because such Bank failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Banks under this Section 4.5(g) shall survive the payment of the Obligations and termination of this Agreement.

4.6. Bank Certificates; Survival of Indemnity. To the extent reasonably possible, each Bank shall designate an alternate Lending Installation with respect to Eurodollar Rate Loans to reduce any liability of the Company to such Bank under Section 4.1 or to avoid the unavailability of Eurodollar Rate Loan under Section 4.3, so long as such designation is not disadvantageous to such Bank. A certificate of such Bank as to the amount due under Section 4.1, 4.4 or 4.5 shall be final, conclusive and binding on the Company in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Rate Loan shall be calculated as though each Bank funded each Eurodollar Rate Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Base Eurodollar Rate applicable to such Eurodollar Rate Loan whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in any certificate shall be payable on demand after receipt by the Company of such certificate. The obligations of the Company under Sections 4.1, 4.4 and 4.5 shall survive payment of the Obligations and termination of this Agreement, provided, that no Bank shall be entitled to compensation to the extent that such compensation relates to any period of time more than 90 days after the termination of this Agreement.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES

The Company hereby represents and warrants that:

5.1. Incorporation and Good Standing. The Company is duly incorporated, validly existing and in good standing under the laws of the State of Michigan.

5.2. Corporate Power and Authority; No Conflicts. The execution, delivery and performance by the Company of the Loan Documents are within the Company's corporate powers, have been duly authorized by all necessary corporate action and do not (i) violate the Company's charter, bylaws, the authorization to issue, sell or guarantee secured and/or unsecured long-term debt granted to the Company by the Federal Energy Regulatory Commission (the "FERC Approval"), or any applicable law or regulation, or (ii) breach or result in an event of default under any indenture or material agreement, and do not result in or require the creation of any Lien upon or with respect to any of its properties (except the lien of the Indenture securing the Bonds).

5.3. Governmental Approvals. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Company of any Loan Document, except for the FERC Approval. The FERC

Approval has been obtained and is in full force and effect. The Debt incurred hereunder is permitted to be incurred under the FERC Approval. The Company has complied with all requirements of the FERC Approval in connection with its execution, delivery and performance of the Loan Documents.

5.4. Legally Enforceable Agreements. Each Loan Document constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, subject to (a) the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

5.5. Financial Statements. The audited balance sheet of the Company and its Consolidated Subsidiaries as at December 31, 2001, and the related statements of income and cash flows of the Company and its Consolidated Subsidiaries for the fiscal year then ended, as set forth in the Company's Annual Report on Form 10-K/A (copies of which have been furnished to each Bank), and the unaudited restated balance sheets of the Company and its Consolidated Subsidiaries as at September 30, 2002, and the related restated statements of income and cash flows of the Company and its Consolidated Subsidiaries for the nine-month period then ended (copies of which have been furnished to each Bank), fairly present the financial condition of the Company and its Consolidated Subsidiaries as at such dates and the results of operations of the Company and its Consolidated Subsidiaries for the periods ended on such dates, all in accordance with GAAP.

5.6. Litigation. Except (i) to the extent described in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 and the Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2002, in each case as filed with the SEC, copies of which have been furnished to each Bank, and (ii) such other similar actions, suits and proceedings predicated on the occurrence of the same events giving rise to any actions, suits and proceedings described in the Reports filed with the SEC set forth in clause (i) hereof, there is no pending or threatened action or proceeding against the Company or any of its Consolidated Subsidiaries before any court, governmental agency or arbitrator, which, if adversely determined, might reasonably be expected to materially adversely affect the financial condition, results of operations, business, Property or prospects of the Company and its Consolidated Subsidiaries, taken as a whole, or that would materially adversely affect the Company's ability to perform its obligations under any Loan Document. As of the Effective Date, there is no litigation challenging the validity or the enforceability of any of the Loan Documents.

5.7. Margin Stock. The Company is not engaged in the business of extending credit for the purpose of buying or carrying margin stock (within the meaning of Regulation U), and no proceeds of any Term Loan will be used to buy or carry any margin stock or to extend credit to others for the purpose of buying or carrying any margin stock.

5.8. ERISA. No Termination Event has occurred or is reasonably expected to occur with respect to any Plan. Neither the Company nor any of its ERISA Affiliates is an employer under a Multiemployer Plan.

5.9. Insurance. All insurance required by Section 6.2 is in full force and effect.

5.10. Taxes. The Company and its Subsidiaries have filed all tax returns (Federal, state and local) required to be filed and paid all taxes shown thereon to be due, including interest and penalties, or, to the extent the Company or any of its Subsidiaries is contesting in good faith an assertion of liability based on such returns, has provided adequate reserves for payment thereof in accordance with GAAP.

5.11. Investment Company Act. The Company is not an investment company (within the meaning of the Investment Company Act of 1940, as amended).

5.12. Public Utility Holding Company Act. The Company is exempt from the registration requirements of the Public Utility Holding Company Act of 1935, as amended, 15 USC 79, et seq.

5.13. Bonds. The issuance to the Agent of Bonds as evidence of the Obligations: (i) will not violate any provision of the Indenture or any other agreement or instrument, or any law or regulation, or judicial or regulatory order, judgment or decree, to which the Company or any of its Subsidiaries is a party or by which any of the foregoing is bound and (ii) will provide the Banks, as beneficial holders of the Bonds through the Agent, the benefit of the Lien of the Indenture equally and ratably with the holders of other First Mortgage Bonds.

ARTICLE VI.

AFFIRMATIVE COVENANTS

So long as any Obligations shall remain unpaid, the Company shall:

6.1. Payment of Taxes, etc. Pay and discharge before the same shall become delinquent, (a) all taxes, assessments and governmental charges or levies imposed upon it or upon its property, and (b) all lawful claims which, if unpaid, might by law become a Lien upon its property, provided that the Company shall not be required to pay or discharge any such tax, assessment, charge or claim (i) which is being contested by it in good faith and by proper procedures or (ii) the non-payment of which will not materially adversely affect the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole.

6.2. Maintenance of Insurance. Maintain insurance in such amounts and covering such risks with respect to its business and properties as is usually carried by companies engaged in similar businesses and owning similar properties, either with reputable insurance companies or, in whole or in part, by establishing reserves or one or more insurance funds, either alone or with other corporations or associations.

6.3. Preservation of Corporate Existence, etc. Preserve and maintain its corporate existence, rights and franchises, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary in view of its business and operations or the ownership of its properties, provided that the Company shall not be required to preserve any such right or franchise or to remain so qualified unless the failure to do so would have a material adverse effect on the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, or the ability of the Company to enter into, or to perform its obligations under, any Loan Document.

6.4. Compliance with Laws, etc. Comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, the non-compliance with which would materially adversely affect the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, or the ability of the Company to perform its obligations under any Loan Document.

6.5. Visitation Rights. Subject to any necessary approval from the Nuclear Regulatory Commission, at any reasonable time and from time to time, permit the Agent, any of the Banks or any agents or representatives thereof to examine and make copies of and abstracts from its records and books of account, visit its properties and discuss its affairs, finances and accounts with any of its officers,

6.6. Keeping of Books. Keep, and cause each Consolidated Subsidiary to keep, adequate records and books of account, in which full and correct entries shall be made of all of its financial transactions and its assets and business so as to permit the Company and its Consolidated Subsidiaries to present financial statements in accordance with GAAP.

6.7. Reporting Requirements. Furnish to the Agent, with sufficient copies for each of the Banks:

(a) as soon as practicable and in any event within five Business Days after becoming aware of the occurrence of any Default or Event of Default, a statement of a Designated Officer as to the nature thereof, and as soon as practicable and in any event within five Business Days thereafter, a statement of a Designated Officer as to the action which the Company has taken, is taking or proposes to take with respect thereto;

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Company, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as at the end of such quarter, and the related consolidated statements of income, cash flows and common stockholder's equity of the Company and its Consolidated Subsidiaries as at the end of and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, or statements providing substantially similar information (which requirement shall be deemed satisfied by the delivery of the Company's quarterly report on Form 10-Q for such quarter), all in reasonable detail and duly certified (subject to the absence of footnotes and to year-end audit adjustments) by a Designated Officer as having been prepared in accordance with GAAP, together with a certificate of a Designated Officer (which certificate shall also accompany the financial statements delivered pursuant to clause (c) below) stating that such officer has no knowledge (having made due inquiry with respect thereto) that a Default or Event of Default has occurred and is continuing, or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the actions which the Company has taken, is taking or proposes to take with respect thereto;

(c) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, a copy of the Annual Report on Form 10-K (or any successor form) for the Company for such year, including therein the consolidated balance sheet of the Company and its Consolidated Subsidiaries as at the end of such year and the consolidated statements of income, cash flows and common stockholder's equity of the Company and its Consolidated Subsidiaries as at the end of and for such year, or statements providing substantially similar information, in each case certified by independent public accountants of recognized national standing selected by the Company (and not objected to by the Majority Banks), together with a certificate of such accounting firm addressed to the Banks stating that, in the course of its examination of the consolidated financial statements of the Company and its Consolidated Subsidiaries, which examination was conducted by such accounting firm in accordance with GAAP, such accounting firm has obtained no knowledge that an Event of Default, insofar as such Event of Default related to accounting or financial matters, has occurred and is continuing, or if, in the opinion of such accounting firm, such an Event of Default has occurred and is continuing, a statement as to the nature thereof;

(d) promptly after the sending or filing thereof, copies of all proxy statements which the Company sends to its stockholders, copies of all regular, periodic and special reports (other than those which relate solely to employee benefit plans) which the Company files with the SEC and notice of the sending or filing of (and, upon the request of the Agent or any Bank, a copy of) any final prospectus filed with the SEC;

(e) as soon as possible and in any event (i) within 30 days after the Company or any of its ERISA Affiliates knows or has reason to know that any Termination Event described in clause (a) of the definition of Termination Event with respect to any Plan has occurred and (ii) within ten days after the Company or any of its ERISA Affiliates knows or has reason to know that any other Termination Event with respect to any Plan has occurred, a statement of the Chief Financial Officer of the Company describing such Termination Event and the action, if any, which the Company or such ERISA Affiliate, as the case may be, proposes to take with respect thereto;

(f) [Reserved];

(g) as soon as possible and in any event within five (5) days after the occurrence of any material default under any material agreement to which the Company or any of its Subsidiaries is a party, which default would materially adversely affect the financial condition, business, results of operations, Property or prospects of the Company and its Subsidiaries, considered as a whole, any of which is continuing on the date of such certificate, a certificate of the president or chief financial officer of the Company setting forth the details of such material default and the action which the Company or any such Subsidiary proposes to take with respect thereto; and

(h) such other information respecting the business, properties or financial condition of the Company as the Agent or any Bank through the Agent may from time to time reasonably request.

6.8. Use of Proceeds. The Company will use the proceeds of the Term Loans to refinance existing indebtedness of the Company and for working capital for the Company. The Company will not, nor will it permit any Subsidiary to, use any of the proceeds of the Term Loans to purchase or carry any "margin stock" (as defined in Regulation U).

6.9. Maintenance of Properties, etc. The Company shall, and shall cause each of its Subsidiaries to, maintain in all material respects all of its respective owned and leased Property in good and safe condition and repair to the same degree as other companies engaged in similar businesses and owning similar properties, and not permit, commit or suffer any waste or abandonment of any such Property, and from time to time shall make or cause to be made all material repairs, renewals and replacements thereof, including, without limitation, any capital improvements which may be required; provided, however, that such Property may be altered or renovated in the ordinary course of Company's or its Subsidiaries' business; and provided, further, that the foregoing shall not restrict the sale of any asset of the Company or any Subsidiary to the extent not prohibited by Section 7.2.

6.10. Bonds. Beginning on the Effective Date and continuing until all Obligations have been paid in full, cause the aggregate amount of the Bonds outstanding to at all times be equal to or greater than the aggregate outstanding Term Loans.

6.11. Recordation of Supplemental Indenture. The Company shall (i) within ten days after the Effective Date, deliver the Supplemental Indenture in recordable form to the appropriate real estate recording office in all jurisdictions specified in the Supplemental Indenture for recording and deliver to the office of the Secretary of State of Michigan a UCC-1 financing statement in a form approved by the Agent for filing in such office and (ii) within 25 days after the Effective Date, deliver to the Agent a certificate signed by a Designated Officer certifying that the actions required by the foregoing clause (i) have been taken. Once all of the Supplemental Indentures and the UCC-1 financing statement have been filed, the Company shall provide the Agent with copies of each Supplemental Indenture and UCC-1 financing statement with official evidence of the recording thereof in all such jurisdictions.

ARTICLE VII.

NEGATIVE COVENANTS

So long as any Obligations shall remain unpaid, the Company shall not:

7.1. Liens. Create, incur, assume or suffer to exist any Lien upon or with respect to any of its properties, now owned or hereafter acquired, except:

(a) Liens created pursuant to the Indenture securing the First Mortgage Bonds;

(b) Liens securing pollution control bonds, or bonds issued to refund or refinance pollution control bonds (including Liens securing obligations (contingent or otherwise) of the Company under letter of credit agreements or other reimbursement or similar credit enhancement agreements with respect to pollution control bonds), provided that the aggregate face amount of any such bonds so issued shall not exceed the aggregate face amount of such pollution control bonds, as the case may be, so refunded or refinanced;

(c) Liens in (and only in) assets acquired to secure Debt incurred to finance the acquisition of such assets;

(d) Statutory and common law banker's Liens on bank deposits;

(e) Liens in respect of accounts receivable sold, transferred or assigned by the Company;

(f) Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(g) Liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books;

(h) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, leases and contracts (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;

(i) Judgment Liens in existence less than 30 days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered (subject to a customary deductible) by insurance;

(j) Zoning restrictions, easements, licenses, covenants, reservations, utility company rights, restrictions on the use of real property or minor irregularities of title incident thereto which do not in the aggregate materially detract from the value of the property or assets of the Company or materially impair the operation of its business;

(k) Liens arising in connection with the financing of the Company's fuel resources, including, but not limited to, nuclear fuel;

(l) Liens arising pursuant to Michigan Complied Laws 324.20138; provided that the aggregate amount of all obligations secured by such Liens (excluding any such Liens of which the Company has no knowledge or which are permitted by subsection (f) above) shall not exceed $20,000,000;

(m) Liens arising in connection with the Securitized Bonds;

(n) Liens on the Facility LC Collateral Account (as defined in the Credit Agreement) or any funds therein in favor of the agent under the Credit Agreement;

(o) Liens on natural gas, oil and minerals, or on stock in trade, materials or supplies manufactured or acquired for the purpose of sale and/or resale in the usual course of business or consumable in the operation of any of the properties of the Company; provided that (i) such liens secure obligations not exceeding $500,000,000 in aggregate principal amount and (ii) such liens shall also be permitted under the terms of the Credit Agreement; and

(p) Other Liens securing obligations in an aggregate amount not in excess of $150,000,000.

7.2. Sale of Assets. Sell, lease, assign, transfer or otherwise dispose of: (i)15% or more of its assets, calculated with reference to total assets as reflected on the Company's consolidated balance sheet as at June 30, 2002; (ii) any of the primary property encumbered by the Indenture in exchange for any property not related to the delivery, transmission or generation of electric energy or natural gas; provided that the Company may sell, lease, assign, transfer or otherwise dispose of any of the primary property encumbered by the Indenture in exchange for any property not related to the delivery, transmission or generation of electric energy or natural gas if the aggregate book value of any such primary property so disposed of does not exceed $5,000,000 in any twelve month period; nor (iii) any assets encumbered by the Indenture and in exchange thereof acquire any form of equity or stock in another utility company.

7.3. Mergers, etc. Merge with or into or consolidate with or into any other Person, except that the Company may merge with any other Person, provided that, in each case, immediately after giving effect thereto, (a) no event shall occur and be continuing which constitutes a Default or Event of Default, (b) the Company is the surviving corporation, (c) the Company shall not be liable with respect to any Debt or allow its property to be subject to any Lien which it could not become liable with respect to, or allow its property to become subject to, under this Agreement on the date of such transaction and (d) the Company's Net Worth shall be equal to or greater than its Net Worth immediately prior to such merger.

7.4. Compliance with ERISA. Permit to exist any occurrence of any Reportable Event, or any other event or condition which presents a material (in the reasonable opinion of the Majority Banks) risk of a termination by the PBGC of any Plan of the Company or any ERISA Affiliate, which termination will result in any material (in the reasonable opinion of the Majority Banks) liability of the Company or such ERISA Affiliate to the PBGC.

7.5. Change in Nature of Business. Make any material change in the nature of its business as carried on as of the date hereof (such business being a public utility engaged in the generation, transmission and distribution of electrical energy and natural gas).

7.6. Restricted Payments. The Company: (a) will not declare or pay any dividends or make any other distributions on its capital stock (other than dividends payable solely in such capital stock) or redeem any such capital stock; and (b) will not, and will not permit any Subsidiary to, purchase or otherwise acquire or retire any of the Company's capital stock or make any loans or advances to CMS or any Subsidiary thereof (other than the Company or any Subsidiary thereof); provided that, so long as no

Default or Event of Default exists, the Company may pay dividends in an aggregate amount not to exceed $300,000,000 during any calendar year.

7.7. Off-Balance Sheet Liabilities. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, Off-Balance Sheet Liabilities (exclusive of obligations pursuant to the Receivables Sale Agreement and the Building Lease) in the aggregate in excess of $150,000,000 at any time.

ARTICLE VIII.

RESERVED

ARTICLE IX.

EVENTS OF DEFAULT

9.1. Events of Default. The occurrence of any of the following events shall constitute an "Event of Default":

(a) The Company shall fail to pay (i) any principal of any Term Loan when due and payable, or (ii) any interest on any Term Loan or any fee or other Obligation payable hereunder within five (5) days after such interest or fee or other Obligation becomes due and payable;

(b) Any representation or warranty made by the Company (or any of its officers) in this Agreement or any other Loan Document or in any certificate, document, report, financial or other written statement furnished at any time pursuant to any Loan Document shall prove to have been incorrect in any material respect on or as of the date made;

(c) The Company shall fail to perform or observe any term, covenant or agreement contained in Section 6.10, Section 6.11(i), or Article VII. The Company shall fail to perform or observe any term, covenant or agreement on its part to be performed or observed in this Agreement or in any other Loan Document (other than the terms, covenants and agreements described in the first sentence of this clause (c) and in clause (a) of this Section 9.1) and such failure shall continue for 30 consecutive days after notice thereof by means of facsimile, regular mail or written notice delivered in person (or telephonic notice thereof confirmed in writing) shall have been given to the Company by the Agent or the Majority Banks;

(d) The Company shall: (i) fail to pay any Debt (other than the payment obligations described in subsection (a) above) in excess of $25,000,000, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the instrument or agreement relating to such Debt; or (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such Debt, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, the maturity of such Debt, unless the obligee under or holder of such Debt shall have waived in writing such circumstance, or such circumstance has been cured, so that such circumstance is no longer continuing; or (iii) any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), in each case in accordance with the

terms of such agreement or instrument, prior to the stated maturity thereof; or (iv) generally not, or shall admit in writing its inability to, pay its debts as such debts become due;

(e) The Company: (i) shall make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets, or (ii) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or (iii) shall have had any such petition or application filed or any such proceeding shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed for a period of 30 consecutive days or more; or (iv) by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (v) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of 30 days or more; or (vi) shall take any corporate action to authorize any of the actions set forth above in this subsection (e);

(f) One or more judgments, decrees or orders for the payment of money in excess of $25,000,000 in the aggregate shall be rendered against the Company and either (i) enforcement proceedings shall have been commenced by any creditor upon any such judgment or order or (ii) there shall be any period of more than 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(g) Any Termination Event with respect to a Plan shall have occurred, and 30 days after notice thereof shall have been given to the Company by the Agent, (i) such Termination Event (if correctable) shall not have been corrected and (ii) the then present value of such Plan's vested benefits exceeds the then current value of the assets accumulated in such Plan by more than the amount of $25,000,000 (or in the case of a Termination Event involving the withdrawal of a "substantial employer" (as defined in Section 4001(A)(2) of ERISA), the withdrawing employer's proportionate share of such excess shall exceed such amount); or

(h) Any Bond shall cease to be in full force and effect (except for Bonds surrendered by the Agent pursuant to Section 2.4 or 2.5); or the Company shall deny that it has any liability or obligation under any Bond or purport to revoke, terminate, rescind or redeem any Bond (other than in accordance with the terms of the Bonds and the Indenture); or

(i) A default shall occur under the Indenture.

9.2. Remedies.

If any Event of Default shall occur and be continuing, the Agent shall upon the request, or may with the consent, of the Majority Banks, by notice to the Company, declare the Obligations to be forthwith due and payable, whereupon the Obligations shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company, provided that in the case of an Event of Default referred to in Section 9.1(e) above, the Obligations shall automatically become due and payable without notice, presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company. The Agent and the Majority Banks may also exercise all other rights and remedies they have available to them under the Indenture, the other Loan Documents, at law, in equity or otherwise.

ARTICLE X.

WAIVERS, AMENDMENTS AND REMEDIES

10.1. Amendments. Subject to the provisions of this Article X, the Majority Banks (or the Agent with the consent in writing of the Majority Banks) and the Company may enter into written agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Banks or the Company hereunder or waiving any Event of Default hereunder, provided that no such supplemental agreement shall, without the consent of all of the Banks:

(a) Extend the maturity of any Term Loan or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest or fees thereon;

(b) Modify the percentage specified in the definition of Majority Banks;

(c) Increase the amount of the Term Loan Commitment of any Bank hereunder or permit the Company to assign its rights under this Agreement; or

(d) Amend Section 6.10, Section 12.12 or this Section 10.1.

No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent.

10.2. Preservation of Rights. No delay or omission of the Banks or the Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or Event of Default or an acquiescence therein, and the making of a Term Loan notwithstanding the existence of a Default or Event of Default or the inability of the Company to satisfy the conditions precedent to such Term Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Banks required pursuant to Section 10.1, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent and the Banks until the Obligations have been paid in full.

ARTICLE XI.

CONDITIONS PRECEDENT

11.1. Delivery of Documents. This Agreement shall not become effective and the Banks shall not be required to make the Term Loans hereunder on the Effective Date unless the Company has furnished to the Agent with sufficient copies for the Banks:

(a) A certificate, signed by a Designated Officer of the Company, stating that on the Effective Date no Default or Event of Default has occurred and is continuing.

(b) Evidence satisfactory to the Agent of the issuance of the Bonds in the form set forth in the Supplemental Indenture and in an aggregate principal amount of $140,000,000 pursuant to the Bond Delivery Agreement.

(c) Favorable opinions of:

(i) Michael D. VanHemert, Esq., Deputy General Counsel of CMS, as to the matters set forth in Exhibit B-1 and as to such other matters as the Agent may reasonably request; and

(ii) Miller, Canfield, Paddock and Stone, P.L.C., special counsel to the Company, as to the matters set forth in Exhibit B-2 and as to such other matters as the Agent may reasonably request.

Such opinions shall be addressed to the Agent and the Banks and shall be satisfactory in form and substance to the Agent.

(d) Evidence, in form and substance satisfactory to the Agent, that the Company has obtained all governmental approvals, if any, necessary for it to enter into the Loan Documents.

(e) Evidence, in form and substance satisfactory to the Agent, of the existence and good-standing of the Company and of the Company's authority to enter into the Loan Documents.

(f) Such other documents as the Agent or any Bank may reasonably request.

11.2. No Default, etc. No Bank shall be required to make any Term Loan on the Effective Date unless (i) no Default or Event of Default then exists, (ii) the representations and warranties contained in Article V are true and correct as of the Effective Date and (iii) all legal matters incident to the making of such Term Loan are satisfactory to such Bank and its counsel. The Company represents and warrants that the conditions contained in subsections (i) and (ii) above will be satisfied on the Effective Date.

ARTICLE XII.

GENERAL PROVISIONS

12.1. Successors and Assigns. (a) The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Company and the Banks and their respective successors and assigns, except that the Company shall not have the right to assign its rights or obligations under the Loan Documents. Any Bank may sell participations in all or a portion of its rights and obligations under this Agreement pursuant to subsection (b) below and any Bank may assign all or any part of its rights and obligations under this Agreement pursuant to subsection (c) below. In connection with each assignment by a Bank of all or any part of its rights and obligations under this Agreement pursuant to subsection (c) below, the assigning Bank agrees to give the Company at least 7 Business Days prior written notice of such assignment, which notice shall identify the proposed assignee.

(b) Any Bank may sell participations to one or more banks or other entities (each a "Participant") in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Term Loan Commitment and its outstanding Term Loan), provided that (i) such Bank's obligations under this Agreement (including, without limitation, its Term Loan Commitment to the Company hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of the Term Loans of such Bank for all purposes of this Agreement and (iv) the Company shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Each Bank shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Term Loan or Term Loan Commitment in which such Participant has an interest which would require consent of all of the

Banks pursuant to the terms of Section 10.1 or of any other Loan Document. The Company agrees that each Participant shall be deemed to have the right of setoff provided in Section 12.11 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Bank under the Loan Documents, provided that each Bank shall retain the right of setoff provided in Section 12.11 with respect to the amount of participating interests sold to each Participant. The Banks agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 12.11, agrees to share with each Bank, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 12.11 as if each Participant were a Bank. The Company further agrees that each Participant shall be entitled to the benefits of Sections 4.1, 4.3, 4.4 and 4.5 to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to Section 12.1(c); provided that (i) a Participant shall not be entitled to receive any greater payment under Section 4.1, 4.3, 4.4 or 4.5 than the Bank who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Company, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 4.5 to the same extent as if it were a Bank.

(c) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more financial institutions all or any part of its rights and obligations under this Agreement, provided that the minimum principal amount of any such assignment (other than assignments to a Federal Reserve Bank, the Federal Home Loan Bank, or to any other Bank or affiliate or Approved Fund of a Bank, or to any direct or indirect contractual counterparties in swap agreements relating to the Term Loans to the extent required in connection with the physical settlement of any Bank's obligations pursuant thereto) shall be $1,000,000 (or such lesser amount consented to by the Agent); provided that, unless such Bank is assigning all of its rights and obligations hereunder, after giving effect to such assignment the assigning Bank shall have Term Loans in the aggregate of not less than $1,000,000 (unless otherwise consented to by the Agent).

(d) Any Bank may, in connection with any sale or participation or proposed sale or participation pursuant to this Section 12.1 disclose to the purchaser or participant or proposed purchaser or participant any information relating to the Company furnished to such Bank by or on behalf of the Company, provided that prior to any such disclosure of non-public information, the purchaser or participant or proposed purchaser or participant (which purchaser or participant is not an affiliate of a Bank) shall agree to preserve the confidentiality of any confidential information (except any such disclosure as may be required by law or regulatory process) relating to the Company received by it from such Bank.

(e) Assignments under this Section 12.1 shall be made pursuant to an agreement (an "Assignment Agreement") substantially in the form of Exhibit C hereto or in such other form as may be agreed to by the parties thereto and shall not be effective until a $3,500 fee has been paid to the Agent by the assignee, which fee shall cover the cost of processing such assignment, provided, that such fee shall not be incurred in the event of an assignment by any Bank of all or a portion of its rights under this Agreement to (i) a Federal Reserve Bank or Federal Home Loan Bank or (ii) a Bank or an affiliate or Approved Fund of the assigning Bank or (iii) to any direct or indirect contractual counterparties in swap agreements relating to the Term Loans to the extent required in connection with the physical settlement of any Bank's obligations pursuant thereto.

(f) Notwithstanding anything to the contrary contained herein, any Bank (a "Granting Bank") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Bank to the Agent and the Company, the option to provide to the

Company all or any part of any Term Loan that such Granting Bank is obligated to make to the Company pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Term Loan, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Term Loan, the Granting Bank shall remain obligated to make such Term Loan pursuant to the terms hereof, (iii) the Company shall not be required to pay any amount under Section 4.5 that is greater than the amount which it would have been required to pay had there been no grant to an SPC and (iv) any SPC (or assignee of an SPC) will comply, if applicable, with the provisions contained in Section 4.5. No grant by any Granting Bank to an SPC agreeing to provide a Term Loan or the making of such Term Loan by such SPC shall operate to relieve such Granting Bank of its liabilities and obligations hereunder, except to the extent of the making of such Term Loan by such SPC. The making of a Term Loan by an SPC hereunder shall utilize the Term Loan Commitment of the Granting Bank to the same extent, and as if, such Term Loan were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In addition, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that any SPC may (i) with notice to, but without the prior written consent of, the Company and the Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Term Loans to the Granting Bank or to any financial institutions (consented to by the Agent in its sole discretion) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Term Loans and (ii) disclose on a confidential basis any non-public information relating to its Term Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 12.1(f) may not be amended without the written consent of any SPC that holds an option to provide Term Loans. No recourse under any obligation, covenant, or agreement of the SPC contained in this Agreement shall be had against any shareholder, officer, agent or director of the SPC as such, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is a corporate obligation of the SPC and no personal liability shall attach to or be incurred by any officer, agent or member of the SPC as such, or any of them under or by reason of any of the obligations, covenants or agreements of the SPC contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by the SPC of any such obligations, covenants or agreements, either at law or by statute or constitution, of every such shareholder, officer, agent or director is hereby expressly waived by all parties to this Agreement as a condition of and consideration for the SPC entering into this Agreement; provided, however, that the foregoing shall not relieve any such person or entity of any liability they might otherwise have as a result of fraudulent actions or omissions taken by them. All parties to this Agreement acknowledge and agree that the SPC shall only be liable for any claims that each of them may have against the SPC only to the extent of the SPC's assets. The provisions of this clause shall survive the termination of this Agreement.

(g) Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank or Federal Home Loan Bank; provided that no such pledge or assignment shall release such Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

12.2. Survival of Representations. All representations and warranties of the Company contained in this Agreement shall survive the making of the Term Loans herein contemplated.

12.3. Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Bank shall be obligated to extend credit to the Company in violation of any limitation or prohibition provided by any applicable statute or regulation.

12.4. Taxes. Any taxes (excluding income taxes) payable or ruled payable by any Federal or State authority in respect of the execution of the Loan Documents shall be paid by the Company, together with interest and penalties, if any.

12.5. Choice of Law; Waiver of Jury Trial. THE LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF MICHIGAN AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. THE COMPANY HEREBY WAIVES ANY RIGHT TO A JURY TRIAL IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING HEREUNDER OR UNDER ANY LOAN DOCUMENT.

12.6. Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

12.7. Entire Agreement. The Loan Documents embody the entire agreement and understanding between the Company, the Agent and the Banks and supersede all prior agreements and understandings between the Company, the Agent and the Banks relating to the subject matter thereof.

12.8. Expenses; Indemnification. The Company shall (a) reimburse the Agent for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Agent) paid or incurred by the Agent in connection with the preparation, review, execution, delivery, syndication, distribution (including, without limitation, via the internet), amendment and modification of the Loan Documents and (b) reimburse the Agent and each Bank for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Agent or for such Bank) paid or incurred by the Agent or such Bank in connection with the collection and enforcement of the Loan Documents. The Company further agrees to indemnify the Agent and each Bank and their respective directors, officers, employees, trustees, agents and advisors against all losses, claims, damages, penalties, judgments, liabilities and reasonable expenses (including, without limitation, all material expenses of litigation or preparation therefor whether or not the Agent or any Bank is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Term Loan hereunder, provided that the Company shall not be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent or any Bank. The obligations of the Company under this Section shall survive the termination of this Agreement.

12.9. [Intentionally Omitted.]

12.10. Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

12.11. Setoff. In addition to, and without limitation of, any rights of the Banks under applicable law, if the Company becomes insolvent, however evidenced, or any Default or Event of Default occurs, any indebtedness from any Bank to the Company (including all account balances, whether provisional or final and whether or not collected or available) may be offset and applied toward the payment of the Obligations owing to such Bank, whether or not the Obligations, or any part hereof, shall then be due. The Company agrees that any purchaser or participant under Section 12.1 may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such purchase or participation as if it were the direct creditor of the Company in the amount of such purchase or participation.

12.12. Ratable Payments. If any Bank, whether by setoff or otherwise, has payment made to it upon its outstanding Term Loans in a greater proportion than that received by any other Bank, such Bank agrees, promptly upon demand, to purchase a portion of the aggregate outstanding Term Loans held by the other Banks so that after such purchase each Bank will hold its Pro Rata Share of the aggregate outstanding Term Loans. If any Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Bank agrees, promptly upon demand, to take such action necessary such that all Banks share in the benefits of such collateral ratably in proportion to their respective Pro Rata Share of the aggregate outstanding Term Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

12.13. Nonliability of Banks. The relationship between the Company, on the one hand, and the Banks and the Agent, on the other hand, shall be solely that of borrower and lender. Neither the Agent nor any Bank shall have any fiduciary responsibilities to the Company. Neither the Agent nor any Bank undertakes any responsibility to the Company to review or inform the Company of any matter in connection with any phase of the Company's business or operations. The Company shall rely entirely upon its own judgment with respect to its business, and any review, inspection, supervision or information supplied to the Company by the Banks is for the protection of the Banks and neither the Company nor any third party is entitled to rely thereon. The Company agrees that neither the Agent nor any Bank shall have liability to the Company (whether sounding in tort, contract or otherwise) for losses suffered by the Company in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Agent nor any Bank shall have any liability with respect to, and the Company hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by the Company in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

ARTICLE XIII.

THE AGENT

13.1. Appointment. Beal Bank, S.S.B. is hereby appointed Agent hereunder, and each of the Banks irrevocably authorizes the Agent to act as the contractual representative on behalf of such Bank. The Agent agrees to act as such upon the express conditions contained in this Article XIII. The Agent shall not have a fiduciary relationship in respect of any Bank by reason of this Agreement. The Agent hereby acknowledges and agrees that it shall hold the Bonds for the ratable benefit of the Banks.

13.2. Powers. The Agent shall have and may exercise such powers hereunder as are specifically delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. The Agent shall not have any implied duties to the Banks or any obligation to the Banks to take any action hereunder except any action specifically provided by this Agreement to be taken by the Agent.

13.3. General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Banks or any Bank for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct.

13.4. No Responsibility for Loans, Recitals, etc. The Agent shall not be responsible to the Banks for any recitals, reports, statements, warranties or representations herein or in any Loan Document or be bound to ascertain or inquire as to the performance or observance of any of the terms of this Agreement.

13.5. Action on Instructions of Banks. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Majority Banks (or all of the Banks if required by Section 10.1), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Banks. The Banks hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Majority Banks. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

13.6. Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder by or through employees, agents and attorneys-in-fact and shall not be answerable to the Banks, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder.

13.7. Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

13.8. Agent's Reimbursement and Indemnification. The Banks agree to reimburse and indemnify the Agent ratably in proportion to their respective Pro Rata Shares (i) for any amounts not reimbursed by the Company for which the Agent is entitled to reimbursement by the Company under the Loan Documents and (ii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other document delivered in connection with this Agreement or the transactions contemplated hereby or the enforcement of any of the terms hereof or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent.

13.9. Rights as a Lender. With respect to its Term Loan Commitment, if any, and any Term Loan made by it, Beal Bank, S.S.B. shall have the same rights and powers hereunder as any Bank and may exercise the same as though it were not the Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include Beal Bank, S.S.B. in its individual capacity. Beal Bank, S.S.B. may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with the Company or any Subsidiary as if it were not the Agent.

13.10. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and

information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

13.11. Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Company, and the Agent may be removed at any time but only with cause by written notice received by the Agent from the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint, on behalf of the Banks, a successor Agent. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within thirty days after the retiring Agent's giving notice of resignation, then the retiring Agent may appoint, on behalf of the Banks, a successor Agent Such successor Agent shall be a commercial bank having capital and retained earnings of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article XIII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder.

ARTICLE XIV.

NOTICES

14.1. Giving Notice. Except as otherwise permitted by Section 2.5 with respect to Continuation Notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party; (x) in the case of the Company or the Agent, at its address or facsimile number set forth on the signature pages hereof, or (y) in the case of any Bank, at its address or facsimile number set forth in its Administrative Details Form provided to the Agent. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; provided that notices to the Agent under Article II shall not be effective until received.

14.2. Change of Address. The Company and the Agent may each change the address for service of notice upon it by a notice in writing to the other parties hereto in accordance with Section 14.1. Any Bank may change the address for service of notice upon it by a notice in writing to the Company and the Agent in accordance with Section 14.1.

ARTICLE XV.

COUNTERPARTS

This Agreement may be executed in any number of counterparts and on telecopy counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Company, the Agent and the Banks and each party has notified the Agent by facsimile or telephone that it has taken such action.

ARTICLE XVI.

MAXIMUM INTEREST RATE

16.1. Recapture. No interest rate specified in any Loan Document shall at any time exceed the Maximum Rate. If at any time the interest rate (the "Contract Rate") for any Obligation shall exceed the Maximum Rate, thereby causing the interest accruing on such Obligation to be limited to the Maximum Rate, then any subsequent reduction in the Contract Rate for such Obligation shall not reduce the rate of interest on such Obligation below the Maximum Rate until the aggregate amount of interest accrued on such Obligation equals the aggregate amount of interest which would have accrued on such Obligation if the Contract Rate for such Obligation had at all times been in effect.

16.2. Savings Clause. No provision of any Loan Document shall require the payment or the collection of interest in excess of the maximum amount permitted by applicable law. If any excess of interest in such respect is hereby provided for, or shall be adjudicated to be so provided, in any Loan Document or otherwise in connection with this loan transaction, the provisions of this Section shall govern and prevail and neither the Company nor he sureties, guarantors, successors, or assigns of the Company shall be obligated to pay the excess amount of such interest or any other excess sum paid for the use, forbearance, or detention of sums loaned pursuant hereto. In the event any Bank ever receives, collects, or applies as interest any such sum, such amount which would be in excess of the maximum amount permitted by applicable law shall be applied as a payment and reduction of the principal of the Obligations; and, if the principal of the Obligations has been paid in full, any remaining excess shall forthwith be paid to the Company. In determining whether or not the interest paid or payable exceeds the Maximum Rate, the Company and each Bank shall, to the extent permitted by applicable law, (a) characterize any non-principal payment as an expense, fee, or premium rather than as interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the entire contemplated term of the Obligations so that interest for the entire term does not exceed the Maximum Rate.

IN WITNESS WHEREOF, the Company, the Banks and the Agent have executed this Agreement as of the date first above written.

CONSUMERS ENERGY COMPANY

By: /s/ Laura L. Mountcastle

Name: Laura L. Mountcastle
Title: Vice President

212 West Michigan Avenue
Jackson, MI 49201
Attention: Kimberly C. Wilson
Facsimile No.: (517) 788 - 0768
Confirmation Telephone No: (517) 788 - 2194
E-Mail Address: kcwilson@cmsenergy.com

BEAL BANK, S.S.B., as Agent and as the Bank

By: /s/ William T. Saurenmann

Name: William T. Saurenmann
Title: Senior Vice President

6000 Legacy Drive
Plano, Texas 75024-3601
Attention: William T. Saurenmann
Facsimile No.: 469,241,9568
Telephone No.: 469,467,5510

With a copy to:

CSG Investments, Inc.
6000 Legacy Drive
Plano, Texas 75024-360l
Attention: President
Facsimile No.: 469,241,9568
Telephone No.: 469,467,5000

EXHIBITS

Exhibit A	Form of Supplemental Indenture
Exhibit B-1	Required Opinions from Michael D. VanHemert, Esq.
Exhibit B-2	Required Opinions from Miller, Canfield, Paddock and Stone, P.L.C.
Exhibit C	Form of Assignment and Assumption Agreement
Exhibit D	Form of Bond Delivery Agreement

SCHEDULES

Commitment Schedule

EXHIBIT A

SUPPLEMENTAL INDENTURE

Exhibit A

EIGHTY-SEVENTH SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR

FIRST MORTGAGE BONDS,

COLLATERAL SERIES DUE 2009

DATED AS OF MARCH 26, 2003

CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,

TRUSTEE

Counterpart _____ of 80

THIS EIGHTY-SEVENTH SUPPLEMENTAL INDENTURE, dated as of March 26, 2003 (herein sometimes referred to as "this Supplemental Indenture"), made and entered into by and between CONSUMERS ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan, with its principal executive office and place of business at 212 West Michigan Avenue, in Jackson, Jackson County, Michigan 49201, formerly known as Consumers Power Company (hereinafter sometimes referred to as the "Company"), and JPMORGAN CHASE BANK, a corporation organized and existing under the laws of the State of New York, with its corporate trust offices at 450 W. 33rd Street, in the Borough of Manhattan, The City of New York, New York 10001 (hereinafter sometimes referred to as the "Trustee"), as Trustee under the Indenture dated as of September 1, 1945 between Consumers Power Company, a Maine corporation (hereinafter sometimes referred to as the "Maine corporation"), and City Bank Farmers Trust Company (Citibank, N.A., successor, hereinafter sometimes referred to as the "Predecessor Trustee"), securing bonds issued and to be issued as provided therein (hereinafter sometimes referred to as the "Indenture"),

WHEREAS at the close of business on January 30, 1959, City Bank Farmers Trust Company was converted into a national banking association under the title "First National City Trust Company"; and

WHEREAS at the close of business on January 15, 1963, First National City Trust Company was merged into First National City Bank; and

WHEREAS at the close of business on October 31, 1968, First National City Bank was merged into The City Bank of New York, National Association, the name of which was thereupon changed to First National City Bank; and

WHEREAS effective March 1, 1976, the name of First National City Bank was changed to Citibank, N.A.; and

WHEREAS effective July 16, 1984, Manufacturers Hanover Trust Company succeeded Citibank, N.A. as Trustee under the Indenture; and

WHEREAS effective June 19, 1992, Chemical Bank succeeded by merger to Manufacturers Hanover Trust Company as Trustee under the Indenture; and

WHEREAS effective July 15, 1996, The Chase Manhattan Bank (National Association), merged with and into Chemical Bank which thereafter was renamed The Chase Manhattan Bank; and

WHEREAS effective November 11, 2001, The Chase Manhattan Bank merged with Morgan Guaranty Trust Company of New York and the surviving corporation was renamed JPMorgan Chase Bank; and

WHEREAS the Indenture was executed and delivered for the purpose of securing such bonds as may from time to time be issued under and in accordance with the terms of the Indenture, the aggregate principal amount of bonds to be secured thereby being limited to $5,000,000,000 at any one time outstanding (except as provided in Section 2.01 of the Indenture), and the Indenture describes and sets forth the property conveyed thereby and is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of

the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Indenture has been supplemented and amended by various indentures supplemental thereto, each of which is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Company and the Maine corporation entered into an Agreement of Merger and Consolidation, dated as of February 14, 1968, which provided for the Maine corporation to merge into the Company; and

WHEREAS the effective date of such Agreement of Merger and Consolidation was June 6, 1968, upon which date the Maine corporation was merged into the Company and the name of the Company was changed from "Consumers Power Company of Michigan" to "Consumers Power Company"; and

WHEREAS the Company and the Predecessor Trustee entered into a Sixteenth Supplemental Indenture, dated as of June 4, 1968, which provided, among other things, for the assumption of the Indenture by the Company; and

WHEREAS said Sixteenth Supplemental Indenture became effective on the effective date of such Agreement of Merger and Consolidation; and

WHEREAS the Company has succeeded to and has been substituted for the Maine corporation under the Indenture with the same effect as if it had been named therein as the mortgagor corporation; and

WHEREAS effective March 11, 1997, the name of Consumers Power Company was changed to Consumers Energy Company; and

WHEREAS, the Company has entered into a Term Loan Agreement dated as of March 26, 2003 (the "Term Loan Agreement") with Beal Bank, S.S.B. (the "Bank") as administrative agent (in such capacity, the "Agent") for the Banks (as such term is defined in the Term Loan Agreement) providing for the making of certain financial accommodations thereunder, and pursuant to such Term Loan Agreement the Company has agreed to issue to the Agent, as evidence of and security for the Obligations (as such term is defined in the Term Loan Agreement), a new series of bonds under the Indenture; and

WHEREAS, for such purposes the Company desires to issue a new series of bonds, to be designated First Mortgage Bonds, Collateral Series due 2009, each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2009 Collateral Series Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified herein and are to mature March 26, 2009; and

WHEREAS, each of the registered bonds without coupons of the 2009 Collateral Series Bonds and the Trustee's Authentication Certificate thereon are to be substantially in the following form, to wit:

[FORM OF REGISTERED BOND OF THE 2009 COLLATERAL SERIES BONDS]

[FACE]

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
COLLATERAL SERIES DUE 2009

No. 1 $140,000,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Beal Bank, S.S.B., as agent (in such capacity, the "Agent") for the Banks under and as defined in the Term Loan Agreement dated as of March 26, 2003 (the "Term Loan Agreement") the principal sum of One Hundred Forty Million Dollars ($140,000,000) or such lesser principal amount as shall be equal to the aggregate principal amount of the Term Loans (as defined in the Term Loan Agreement) included in the Obligations (as defined in the Term Loan Agreement) outstanding on March 26, 2009 (the "Maturity Date"), but not in excess, however, of the principal amount of this bond, and to pay interest thereon at the Interest Rate (as defined below) until the principal hereof is paid or duly made available for payment on the Maturity Date, or, in the event of redemption of this bond, until the redemption date, or, in the event of default in the payment of the principal hereof, until the Company's obligations with respect to the payment of such principal shall be discharged as provided in the Indenture (as defined on the reverse hereof). Interest on this bond shall be payable on each Interest Payment Date (as defined below), commencing on the first Interest Payment Date next succeeding March 26, 2003. If the Maturity Date falls on a day which is not a Business Day, as defined below, principal and any interest and/or fees payable with respect to the Maturity Date will be paid on the immediately preceding Business Day. The interest payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the person in whose name this bond (or one or more predecessor bonds) is registered at the close of business on the Record Date (as defined below); provided, however, that interest payable on the Maturity Date will be payable to the person to whom the principal hereof shall be payable. Should the Company default in the payment of interest ("Defaulted Interest"), the Defaulted Interest shall be paid to the person in whose name this bond (or one or more predecessor bonds) is registered on a subsequent record date fixed by the Company, which subsequent record date shall be fifteen (15) days prior to the payment of such Defaulted Interest. As used herein, (A) "Business Day" shall mean any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York and Dallas, Texas for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system; (B) "Interest Payment Date" shall mean each date on which interest and/or fees under the Term Loan Agreement are due and payable from time to time pursuant to the Term Loan Agreement; (C) "Interest Rate" shall mean a rate of interest per annum, adjusted as necessary, to result in an interest payment equal to the aggregate amount of interest and fees due under the Term Loan Agreement on the applicable Interest Payment Date; and (D) "Record Date" with respect to any Interest Payment Date shall mean the day (whether or not a Business Day) immediately next preceding such Interest Payment Date.

Payment of the principal of and interest on this bond will be made in immediately available funds at the office or agency of the Company maintained for that purpose in the City of Jackson, Michigan, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By: ________________________________
Printed: ___________________________
Title: _____________________________

Attest: _________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By_________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
COLLATERAL SERIES DUE 2009

This bond is one of the bonds of a series designated as First Mortgage Bonds, Collateral Series due 2009 (sometimes herein referred to as the "2009 Collateral Series Bonds") issued under and in accordance with and secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2009 Collateral Series Bonds are to be issued and delivered to the Agent in order to evidence and secure the obligation of the Company under the Term Loan Agreement to make payments to the Banks under the Term Loan Agreement and to provide the Banks the benefit of the lien of the Indenture with respect to the 2009 Collateral Series Bonds.

The obligation of the Company to make payments with respect to the principal of the 2009 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the principal of the Term Loans, a corresponding payment obligation with respect to the principal of the 2009 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The obligation of the Company to make payments with respect to the interest on the 2009 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due interest and/or fees on the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the interest and/or fees on the Term Loans, a corresponding payment obligation with respect to the interest on the 2009 Collateral Series

Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on this bond, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2009 Collateral Series Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Term Loan Agreement, and (iii) the amount of the arrearage.

If an Event of Default (as defined in the Term Loan Agreement) with respect to the payment of the principal of any Term Loans shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the principal of the 2009 Collateral Series Bonds equal to the amount of such unpaid principal (but in no event in excess of the principal amount of the 2009 Collateral Series Bonds). If an Event of Default (as defined in the Term Loan Agreement) with respect to the payment of interest on any Term Loans or fees shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the interest on the 2009 Collateral Series Bonds equal to the amount of such unpaid interest or fees.

This bond is not redeemable except upon written demand of the Agent following the occurrence of an Event of Default under the Term Loan Agreement and the acceleration of the Obligations, as provided in Section 9.2 of the Term Loan Agreement. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2009 Collateral Series Bonds or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

The Agent shall surrender this bond to the Trustee when all of the principal of and interest on the Term Loans arising under the Term Loan Agreement, and all of the fees payable pursuant to the Term Loan Agreement, shall have been duly paid, and the Term Loan Agreement shall have been terminated.

[END OF FORM OF REGISTERED BOND OF THE 2009 COLLATERAL SERIES BONDS]

AND WHEREAS all acts and things necessary to make the 2009 Collateral Series Bonds, when duly executed by the Company and authenticated by the Trustee or its agent and issued as prescribed in the Indenture, as heretofore supplemented and amended, and this Supplemental Indenture provided, the valid, binding and legal obligations of the Company, and to constitute the Indenture, as supplemented and amended as aforesaid, as well as by this Supplemental Indenture, a valid, binding and legal instrument for the security thereof, have been done and performed, and the creation, execution and delivery of this Supplemental Indenture and the creation, execution and issuance of bonds subject to the terms hereof and of the Indenture, as so supplemented and amended, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, of the acceptance and purchase by the holders thereof of the bonds issued and to be issued under the Indenture, as supplemented and amended as above set forth, and of the sum of One Dollar duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and premium, if any, and interest on all bonds now outstanding under the Indenture and the $140,000,000 principal amount of the 2009 Collateral Series Bonds proposed to be issued initially and all other bonds which shall be issued under the Indenture, as supplemented and amended from time to time, and for the purpose of securing the faithful performance and observance of all covenants and conditions therein, and in any indenture supplemental thereto, set forth, the Company has given, granted, bargained, sold, released, transferred, assigned, hypothecated, pledged, mortgaged, confirmed, set over, warranted, alienated and conveyed and by these presents does give, grant, bargain, sell, release, transfer, assign, hypothecate, pledge, mortgage, confirm, set over, warrant, alien and convey unto JPMorgan Chase Bank, as Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created and to its or their assigns forever, all the right, title and interest of the Company in and to all the property, described in Section 11 hereof, together (subject to the provisions of Article X of the Indenture) with the tolls, rents, revenues, issues, earnings, income, products and profits thereof, excepting, however, the property, interests and rights specifically excepted from the lien of the Indenture as set forth in the Indenture;

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the premises, property, franchises and rights, or any thereof, referred to in the foregoing granting clause, with the reversion and reversions, remainder and remainders and (subject to the provisions of Article X of the Indenture) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, franchises and rights and every part and parcel thereof;

SUBJECT, HOWEVER, with respect to such premises, property, franchises and rights, to excepted encumbrances as said term is defined in Section 1.02 of the Indenture, and subject also to all defects and limitations of title and to all encumbrances existing at the time of acquisition. TO HAVE AND TO HOLD all said premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale for the equal and proportionate benefit and security of the holders of all bonds now or hereafter authenticated and delivered under and secured by the Indenture and interest coupons appurtenant thereto, pursuant to the provisions of the Indenture and of any supplemental indenture, and for the enforcement of the payment of said bonds and coupons when payable and the performance of and compliance with the covenants and conditions of the Indenture and of any supplemental indenture, without any preference, distinction or priority as to lien or otherwise of any bond or bonds over others by reason of the difference in time of the actual authentication, delivery, issue, sale or negotiation thereof or for any other reason whatsoever, except as otherwise expressly provided in the Indenture; and so that each and every bond now or hereafter authenticated and delivered thereunder shall have the same lien, and so that the principal of and premium, if any, and interest on every such bond shall, subject to the terms thereof, be equally and proportionately secured, as if it had been made, executed, authenticated, delivered, sold and negotiated simultaneously with the execution and delivery thereof;

AND IT IS EXPRESSLY DECLARED by the Company that all bonds authenticated and delivered under and secured by the Indenture, as supplemented and amended as above set forth, are to be issued, authenticated and delivered, and all said premises, property, franchises and rights hereby and by the Indenture and indentures supplemental thereto conveyed, assigned, pledged or mortgaged, or intended so to be, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in the Indenture, as supplemented and amended as above set forth, and the parties hereto mutually agree as follows:

SECTION 1. There is hereby created one series of bonds (the "2009 Collateral Series Bonds") designated as hereinabove provided, which shall also bear the descriptive title "First Mortgage Bond", and the form thereof shall be substantially as hereinbefore set forth (the "Sample Bond"). The 2009 Collateral Series Bonds shall be issued in the aggregate principal amount of $140,000,000, shall mature on March 26, 2009 and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The serial numbers of the 2009 Collateral Series Bonds shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2009 Collateral Series Bonds are to be issued to and registered in the name of the Agent under the Term Loan Agreement (as such terms are defined in the Sample Bond) to evidence and secure any and all Obligations (as such term is defined in the Term Loan Agreement) of the Company under the Term Loan Agreement.

The 2009 Collateral Series Bonds shall bear interest as set forth in the Sample Bond. The principal of and the interest on said bonds shall be payable as set forth in the Sample Bond.

The obligation of the Company to make payments with respect to the principal of 2009 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the principal of the Term Loans, a corresponding payment obligation with respect to the principal of the 2009 Collateral Series Bonds shall be deemed discharged in the

same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The obligation of the Company to make payments with respect to the interest on 2009 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due interest and/or fees on the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the interest and/or fees on the Term Loans, a corresponding payment obligation with respect to the interest on the 2009 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on the 2009 Collateral Series Bonds, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2009 Collateral Series Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Term Loan Agreement, and (iii) the amount of the arrearage.

The 2009 Collateral Series Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 2. The 2009 Collateral Series Bonds are not redeemable by the operation of the maintenance and replacement provisions of this Indenture or with the proceeds of released property.

SECTION 3. Upon the occurrence of an Event of Default under the Term Loan Agreement and the acceleration of the Obligations, the 2009 Collateral Series Bonds shall be redeemable in whole upon receipt by the Trustee of a written demand from the Agent stating that there has occurred under the Term Loan Agreement both an Event of Default and a declaration of acceleration of the Obligations and demanding redemption of the 2009 Collateral Series Bonds (including a description of the amount of principal, interest and fees which comprise such Obligations). The Company waives any right it may have to prior notice of such redemption under the Indenture. Upon surrender of the 2009 Collateral Series Bonds by the Agent to the Trustee, the 2009 Collateral Series Bonds shall be redeemed at a redemption price equal to the aggregate amount of the Obligations.

SECTION 4. The Company reserves the right, without any consent, vote or other action by the holder of the 2009 Collateral Series Bonds or of any subsequent series of bonds issued under the Indenture, to make such amendments to the Indenture, as supplemented, as shall be necessary in order to amend Section 17.02 to read as follows:

SECTION 17.02. With the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding or their attorneys-in-fact duly authorized, or, if fewer than all series are affected, not less than a majority in principal amount of the bonds at the time outstanding of each series the rights of the holders of which are affected, voting together, the Company, when authorized by a resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or modifying the rights and obligations of the Company and the rights of the holders of any of the bonds and coupons; provided, however, that no such supplemental indenture shall (1) extend the maturity of any of the bonds or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected, or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the bonds then outstanding, or (3) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the bonds then outstanding. For the purposes of this Section, bonds shall be deemed to be affected by a supplemental indenture if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against its property. The Trustee may in its discretion determine whether or not, in accordance with the foregoing, bonds of any particular series would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of bonds of such series and all other series. Subject to the provisions of Sections 16.02 and 16.03 hereof, the Trustee shall not be liable for any determination made in good faith in connection herewith.

Upon the written request of the Company, accompanied by a resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of bondholders as aforesaid (the instrument or instruments evidencing such consent to be dated within one year of such request), the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Company and the Trustee, if they so elect, and either before or after such consent has been obtained, may require the holder of any bond consenting to the execution of any such supplemental indenture to submit his bond to the Trustee or to ask such bank, banker or trust company as may be designated by the Trustee

for the purpose, for the notation thereon of the fact that the holder of such bond has consented to the execution of such supplemental indenture, and in such case such notation, in form satisfactory to the Trustee, shall be made upon all bonds so submitted, and such bonds bearing such notation shall forthwith be returned to the persons entitled thereto.

Prior to the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in one daily newspaper of general circulation in each city in which the principal of any of the bonds shall be payable, or, if all bonds outstanding shall be registered bonds without coupons or coupon bonds registered as to principal, such notice shall be sufficiently given if mailed, first class, postage prepaid, and registered if the Company so elects, to each registered holder of bonds at the last address of such holder appearing on the registry books, such publication or mailing, as the case may be, to be made not less than thirty days prior to such execution. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 5. As supplemented and amended as above set forth, the Indenture is in all respects ratified and confirmed, and the Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 6. Nothing contained in this Supplemental Indenture shall, or shall be construed to, confer upon any person other than a holder of bonds issued under the Indenture, as supplemented and amended as above set forth, the Company, the Trustee and the Agent, for the benefit of the Banks (as such term is defined in the Term Loan Agreement), any right or interest to avail himself of any benefit under any provision of the Indenture, as so supplemented and amended.

SECTION 7. The Trustee assumes no responsibility for or in respect of the validity or sufficiency of this Supplemental Indenture or of the Indenture as hereby supplemented or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein (other than those contained in the sixth, seventh and eighth recitals hereof), all of which recitals and statements are made solely by the Company.

SECTION 8. This Supplemental Indenture may be simultaneously executed in several counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

SECTION 9. In the event the date of any notice required or permitted hereunder shall not be a Business Day, then (notwithstanding any other provision of the Indenture or of any supplemental indenture thereto) such notice need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for such notice. "Business Day" means, with respect to this Section 9, any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York and Dallas,

Texas for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system.

SECTION 10. This Supplemental Indenture and the 2009 Collateral Series Bonds shall be governed by and deemed to be a contract under, and construed in accordance with, the laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

SECTION 11. Detailed Description of Property Mortgaged:

I.

ELECTRIC GENERATING PLANTS AND DAMS

All the electric generating plants and stations of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including all powerhouses, buildings, reservoirs, dams, pipelines, flumes, structures and works and the land on which the same are situated and all water rights and all other lands and easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such plants and stations or any of them, or adjacent thereto.

II.

ELECTRIC TRANSMISSION LINES

All the electric transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including towers, poles, pole lines, wires, switches, switch racks, switchboards, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation. Also all the real property, rights of way, easements, permits, privileges and rights for or relating to the construction, maintenance or operation of certain transmission lines, the land and rights for which are owned by the Company, which are either not built or now being constructed.

III.

ELECTRIC DISTRIBUTION SYSTEMS

All the electric distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including substations, transformers, switchboards,

towers, poles, wires, insulators, subways, trenches, conduits, manholes, cables, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IV.

ELECTRIC SUBSTATIONS, SWITCHING STATIONS AND SITES

All the substations, switching stations and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for transforming, regulating, converting or distributing or otherwise controlling electric current at any of its plants and elsewhere, together with all buildings, transformers, wires, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such substations and switching stations, or adjacent thereto, with sites to be used for such purposes.

V.

GAS COMPRESSOR STATIONS, GAS PROCESSING PLANTS, DESULPHURIZATION STATIONS, METERING STATIONS, ODORIZING STATIONS, REGULATORS AND SITES

All the compressor stations, processing plants, desulphurization stations, metering stations, odorizing stations, regulators and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for compressing, processing, desulphurizing, metering, odorizing and regulating manufactured or natural gas at any of its plants and elsewhere, together with all buildings, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such purposes, with sites to be used for such purposes.

VI.

GAS STORAGE FIELDS

The natural gas rights and interests of the Company, including wells and well lines (but not including natural gas, oil and minerals), the gas gathering system, the underground gas storage rights, the underground gas storage wells and injection and withdrawal system used in connection therewith, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture: In the Overisel Gas Storage Field, located in the Township of Overisel, Allegan County, and in the Township of Zeeland, Ottawa County, Michigan; in the Northville Gas Storage Field located

in the Township of Salem, Washtenaw County, Township of Lyon, Oakland County, and the Townships of Northville and Plymouth and City of Plymouth, Wayne County, Michigan; in the Salem Gas Storage Field, located in the Township of Salem, Allegan County, and in the Township of Jamestown, Ottawa County, Michigan; in the Ray Gas Storage Field, located in the Townships of Ray and Armada, Macomb County, Michigan; in the Lenox Gas Storage Field, located in the Townships of Lenox and Chesterfield, Macomb County, Michigan; in the Ira Gas Storage Field, located in the Township of Ira, St. Clair County, Michigan; in the Puttygut Gas Storage Field, located in the Township of Casco, St. Clair County, Michigan; in the Four Corners Gas Storage Field, located in the Townships of Casco, China, Cottrellville and Ira, St. Clair County, Michigan; in the Swan Creek Gas Storage Field, located in the Township of Casco and Ira, St. Clair County, Michigan; and in the Hessen Gas Storage Field, located in the Townships of Casco and Columbus, St. Clair, Michigan.

VII.

GAS TRANSMISSION LINES

All the gas transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including gas mains, pipes, pipelines, gates, valves, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, right of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

VIII.

GAS DISTRIBUTION SYSTEMS

All the gas distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including tunnels, conduits, gas mains and pipes, service pipes, fittings, gates, valves, connections, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IX.

OFFICE BUILDINGS, SERVICE BUILDINGS, GARAGES, ETC.

All office, garage, service and other buildings of the Company, wherever located, in the State of Michigan, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, together with the land on which the same are situated and all easements, rights of way and appurtenances to said lands, together with all furniture and fixtures located in said buildings.

X.

TELEPHONE PROPERTIES AND
RADIO COMMUNICATION EQUIPMENT

All telephone lines, switchboards, systems and equipment of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, used or available for use in the operation of its properties, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such telephone properties or any of them or adjacent thereto; together with all real estate, rights of way, easements, permits, privileges, franchises, property, devices or rights related to the dispatch, transmission, reception or reproduction of messages, communications, intelligence, signals, light, vision or sound by electricity, wire or otherwise, including all telephone equipment installed in buildings used as general and regional offices, substations and generating stations and all telephone lines erected on towers and poles; and all radio communication equipment of the Company, together with all property, real or personal (except any in the Indenture expressly excepted), fixed stations, towers, auxiliary radio buildings and equipment, and all appurtenances used in connection therewith, wherever located, in the State of Michigan.

XI.

OTHER REAL PROPERTY

All other real property of the Company and all interests therein, of every nature and description (except any in the Indenture expressly excepted) wherever located, in the State of Michigan, acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture. Such real property includes but is not limited to the following described property, such property is subject to any interests that were excepted or reserved in the conveyance to the Company:

ALCONA COUNTY

Certain land in Caledonia Township, Alcona County, Michigan described as:

The East 330 feet of the South 660 feet of the SW 1/4 of the SW 1/4 of Section 8, T28N, R8E, except the West 264 feet of the South 330 feet thereof; said land being more particularly described as follows: To find the place of

beginning of this description, commence at the Southwest corner of said section, run thence East along the South line of said section 1243 feet to the place of beginning of this description, thence continuing East along said South line of said section 66 feet to the West 1/8 line of said section, thence N 02 degrees 09' 30" E along the said West 1/8 line of said section 660 feet, thence West 330 feet, thence S 02 degrees 09' 30" W, 330 feet, thence East 264 feet, thence S 02 degrees 09' 30" W, 330 feet to the place of beginning.

ALLEGAN COUNTY

Certain land in Lee Township, Allegan County, Michigan described as:

The NE 1/4 of the NW 1/4 of Section 16, T1N, R15W.

ALPENA COUNTY

Certain land in Wilson and Green Townships, Alpena County, Michigan described as:

All that part of the S'ly 1/2 of the former Boyne City-Gaylord and Alpena Railroad right of way, being the Southerly 50 feet of a 100 foot strip of land formerly occupied by said Railroad, running from the East line of Section 31, T31N, R7E, Southwesterly across said Section 31 and Sections 5 and 6 of T30N, R7E and Sections 10, 11 and the E 1/2 of Section 9, except the West 1646 feet thereof, all in T30N, R6E.

ANTRIM COUNTY

Certain land in Mancelona Township, Antrim County, Michigan described as:

The S 1/2 of the NE 1/4 of Section 33, T29N, R6W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the State of Michigan to August W. Schack and Emma H. Schack, his wife, dated April 15, 1946 and recorded May 20, 1946 in Liber 97 of Deeds on page 682 of Antrim County Records.

ARENAC COUNTY

Certain land in Standish Township, Arenac County, Michigan described as:

A parcel of land in the SW 1/4 of the NW 1/4 of Section 12, T18N, R4E, described as follows: To find the place of beginning of said parcel of land, commence at the Northwest corner of Section 12, T18N, R4E; run thence South along the West line of said section, said West line of said section being also the center line of East City Limits Road 2642.15 feet to the W 1/4 post of said section and the place of beginning of said parcel of land; running thence N 88 degrees 26' 00" E along the East and West 1/4 line of said section, 660.0 feet; thence North parallel with the West line of said section, 310.0 feet; thence S 88 degrees 26' 00"

W, 330.0 feet; thence South parallel with the West line of said section, 260.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet to the West line of said section and the center line of East City Limits Road; thence South along the said West line of said section, 50.0 feet to the place of beginning.

BARRY COUNTY

Certain land in Johnstown Township, Barry County, Michigan described as:

A strip of land 311 feet in width across the SW 1/4 of the NE 1/4 of Section 31, T1N, R8W, described as follows: To find the place of beginning of this description, commence at the E 1/4 post of said section; run thence N 00 degrees 55' 00" E along the East line of said section, 555.84 feet; thence N 59 degrees 36' 20" W, 1375.64 feet; thence N 88 degrees 30' 00" W, 130 feet to a point on the East 1/8 line of said section and the place of beginning of this description; thence continuing N 88 degrees 30' 00" W, 1327.46 feet to the North and South 1/4 line of said section; thence S 00 degrees 39'35" W along said North and South 1/4 line of said section, 311.03 feet to a point, which said point is 952.72 feet distant N'ly from the East and West 1/4 line of said section as measured along said North and South 1/4 line of said section; thence S 88 degrees 30' 00" E, 1326.76 feet to the East 1/8 line of said section; thence N 00 degrees 47' 20" E along said East 1/8 line of said section, 311.02 feet to the place of beginning.

BAY COUNTY

Certain land in Frankenlust Township, Bay County, Michigan described as:

The South 250 feet of the N 1/2 of the W 1/2 of the W 1/2 of the SE 1/4 of Section 9, T13N, R4E.

BENZIE COUNTY

Certain land in Benzonia Township, Benzie County, Michigan described as:

A parcel of land in the Northeast 1/4 of Section 7, Township 26 North, Range 14 West, described as beginning at a point on the East line of said Section 7, said point being 320 feet North measured along the East line of said section from the East 1/4 post; running thence West 165 feet; thence North parallel with the East line of said section 165 feet; thence East 165 feet to the East line of said section; thence South 165 feet to the place of beginning.

BRANCH COUNTY

Certain land in Girard Township, Branch County, Michigan described as:

A parcel of land in the NE 1/4 of Section 23 T5S, R6W, described a beginning at a point on the North and South quarter line of said section at a point

1278.27 feet distant South of the North quarter post of said section, said distance being measured along the North and South quarter line of said section, running thence S89 degrees21'E 250 feet, thence North along a line parallel with the said North and South quarter line of said section 200 feet, thence N89 degrees21'W 250 feet to the North and South quarter line of said section, thence South along said North and South quarter line of said section 200 feet to the place of beginning.

CALHOUN COUNTY

Certain land in Convis Township, Calhoun County, Michigan described as:

A parcel of land in the SE 1/4 of the SE 1/4 of Section 32, T1S, R6W, described as follows: To find the place of beginning of this description, commence at the Southeast corner of said section; run thence North along the East line of said section 1034.32 feet to the place of beginning of this description; running thence N 89 degrees 39' 52" W, 333.0 feet; thence North 290.0 feet to the South 1/8 line of said section; thence S 89 degrees 39' 52" E along said South 1/8 line of said section 333.0 feet to the East line of said section; thence South along said East line of said section 290.0 feet to the place of beginning. (Bearings are based on the East line of Section 32, T1S, R6W, from the Southeast corner of said section to the Northeast corner of said section assumed as North.)

CASS COUNTY

Certain easement rights located across land in Marcellus Township, Cass County, Michigan described as:

The East 6 rods of the SW 1/4 of the SE 1/4 of Section 4, T5S, R13W.

CHARLEVOIX COUNTY

Certain land in South Arm Township, Charlevoix County, Michigan described as:

A parcel of land in the SW 1/4 of Section 29, T32N, R7W, described as follows: Beginning at the Southwest corner of said section and running thence North along the West line of said section 788.25 feet to a point which is 528 feet distant South of the South 1/8 line of said section as measured along the said West line of said section; thence N 89 degrees 30' 19" E, parallel with said South 1/8 line of said section 442.1 feet; thence South 788.15 feet to the South line of said section; thence S 89 degrees 29' 30" W, along said South line of said section 442.1 feet to the place of beginning.

CHEBOYGAN COUNTY

Certain land in Inverness Township, Cheboygan County, Michigan described as:

A parcel of land in the SW frl 1/4 of Section 31, T37N, R2W, described as beginning at the Northwest corner of the SW frl 1/4, running thence East on the East and West quarter line of said Section, 40 rods, thence South parallel to the West line of said Section 40 rods, thence West 40 rods to the West line of said Section, thence North 40 rods to the place of beginning.

CLARE COUNTY

Certain land in Frost Township, Clare County, Michigan described as:

The East 150 feet of the North 225 feet of the NW 1/4 of the NW 1/4 of Section 15, T20N, R4W.

CLINTON COUNTY

Certain land in Watertown Township, Clinton County, Michigan described as:

The NE 1/4 of the NE 1/4 of the SE 1/4 of Section 22, and the North 165 feet of the NW 1/4 of the NE 1/4 of the SE 1/4 of Section 22, T5N, R3W.

CRAWFORD COUNTY

Certain land in Lovells Township, Crawford County, Michigan described as:

A parcel of land in Section 1, T28N, R1W, described as: Commencing at NW corner said section; thence South 89 degrees53'30" East along North section line 105.78 feet to point of beginning; thence South 89 degrees53'30" East along North section line 649.64 feet; thence South 55 degrees 42'30" East 340.24 feet; thence South 55 degrees 44' 37"" East 5,061.81 feet to the East section line; thence South 00 degrees 00' 08"" West along East section line 441.59 feet; thence North 55 degrees 44' 37" West 5,310.48 feet; thence North 55 degrees 42'30" West 877.76 feet to point of beginning.

EATON COUNTY

Certain land in Eaton Township, Eaton County, Michigan described as:

A parcel of land in the SW 1/4 of Section 6, T2N, R4W, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence N 89 degrees 51' 30" E along the South line of said section 400 feet to the place of beginning of this description; thence continuing N 89 degrees 51' 30" E, 500 feet; thence N 00 degrees 50' 00" W, 600 feet; thence S 89 degrees 51' 30" W parallel with the South line of said

section 500 feet; thence S 00 degrees 50' 00" E, 600 feet to the place of beginning.

EMMET COUNTY

Certain land in Wawatam Township, Emmet County, Michigan described as:

The West 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 23, T39N, R4W.

GENESEE COUNTY

Certain land in Argentine Township, Genesee County, Michigan described as:

A parcel of land of part of the SW 1/4 of Section 8, T5N, R5E, being more particularly described as follows:

Beginning at a point of the West line of Duffield Road, 100 feet wide, (as now established) distant 829.46 feet measured N01 degrees42'56"W and 50 feet measured S88 degrees14'04"W` from the South quarter corner, Section 8, T5N, R5E; thence S88 degrees14'04"W a distance of 550 feet; thence N01 degrees42'56"W a distance of 500 feet to a point on the North line of the South half of the Southwest quarter of said Section 8; thence N88 degrees14'04"E along the North line of South half of the Southwest quarter of said Section 8 a distance 550 feet to a point on the West line of Duffield Road, 100 feet wide (as now established); thence S01 degrees42'56"E along the West line of said Duffield Road a distance of 500 feet to the point of beginning.

GLADWIN COUNTY

Certain land in Secord Township, Gladwin County, Michigan described as:

The East 400 feet of the South 450 feet of Section 2, T19N, R1E.

GRAND TRAVERSE COUNTY

Certain land in Mayfield Township, Grand Traverse County, Michigan described as:

A parcel of land in the Northwest 1/4 of Section 3, T25N, R11W, described as follows: Commencing at the Northwest corner of said section, running thence S 89 degrees19'15" E along the North line of said section and the center line of Clouss Road 225 feet, thence South 400 feet, thence N 89 degrees19'15" W 225 feet to the West line of said section and the center line of Hannah Road, thence North along the West line of said section and the center line of Hannah Road 400 feet to the place of beginning for this description.

GRATIOT COUNTY

Certain land in Fulton Township, Gratiot County, Michigan described as:

A parcel of land in the NE 1/4 of Section 7, Township 9 North, Range 3 West, described as beginning at a point on the North line of George Street in the Village of Middleton, which is 542 feet East of the North and South one-quarter (1/4) line of said Section 7; thence North 100 feet; thence East 100 feet; thence South 100 feet to the North line of George Street; thence West along the North line of George Street 100 feet to place of beginning.

HILLSDALE COUNTY

Certain land in Litchfield Village, Hillsdale County, Michigan described as:

Lot 238 of Assessors Plat of the Village of Litchfield.

HURON COUNTY

Certain easement rights located across land in Sebewaing Township, Huron County, Michigan described as:

The North 1/2 of the Northwest 1/4 of Section 15, T15N, R9E.

INGHAM COUNTY

Certain land in Vevay Township, Ingham County, Michigan described as:

A parcel of land 660 feet wide in the Southwest 1/4 of Section 7 lying South of the centerline of Sitts Road as extended to the North-South 1/4 line of said Section 7, T2N, R1W, more particularly described as follows: Commence at the Southwest corner of said Section 7, thence North along the West line of said Section 2502.71 feet to the centerline of Sitts Road; thence South 89 degrees54'45" East along said centerline 2282.38 feet to the place of beginning of this description; thence continuing South 89 degrees54'45" East along said centerline and said centerline extended 660.00 feet to the North-South 1/4 line of said section; thence South 00 degrees07'20" West 1461.71 feet; thence North 89 degrees34'58" West 660.00 feet; thence North 00 degrees07'20" East 1457.91 feet to the centerline of Sitts Road and the place of beginning.

IONIA COUNTY

Certain land in Sebewa Township, Ionia County, Michigan described as:

A strip of land 280 feet wide across that part of the SW 1/4 of the NE 1/4 of Section 15, T5N, R6W, described as follows:

To find the place of beginning of this description commence at the E 1/4 corner of said section; run thence N 00 degrees 05' 38" W along the East line of said section, 1218.43 feet; thence S 67 degrees 18' 24" W, 1424.45 feet to the East 1/8 line of said section and the place of beginning of this description; thence continuing S 67 degrees 18' 24" W, 1426.28 feet to the North and South 1/4 line of said section at a point which said point is 105.82 feet distant N'ly of the center of said section as measured along said North and South 1/4 line of said section; thence N 00 degrees 04' 47" E along said North and South 1/4 line of said section, 303.67 feet; thence N 67 degrees 18' 24" E, 1425.78 feet to the East 1/8 line of said section; thence S 00 degrees 00' 26" E along said East 1/8 line of said section, 303.48 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R6W, from the E 1/4 corner of said section to the Northeast corner of said section assumed as N 00 degrees 05' 38" W.)

IOSCO COUNTY

Certain land in Alabaster Township, Iosco County, Michigan described as:

A parcel of land in the NW 1/4 of Section 34, T21N, R7E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence South along the North and South 1/4 line of said section, 1354.40 feet to the place of beginning of this description; thence continuing South along the said North and South 1/4 line of said section, 165.00 feet to a point on the said North and South 1/4 line of said section which said point is 1089.00 feet distant North of the center of said section; thence West 440.00 feet; thence North 165.00 feet; thence East 440.00 feet to the said North and South 1/4 line of said section and the place of beginning.

ISABELLA COUNTY

Certain land in Chippewa Township, Isabella County, Michigan described as:

The North 8 rods of the NE 1/4 of the SE 1/4 of Section 29, T14N, R3W.

JACKSON COUNTY

Certain land in Waterloo Township, Jackson County, Michigan described as:

A parcel of land in the North fractional part of the N fractional 1/2 of Section 2, T1S, R2E, described as follows: To find the place of beginning of this description commence at the E 1/4 post of said section; run thence N 01 degrees 03' 40" E along the East line of said section 1335.45 feet to the North 1/8 line of said section and the place of beginning of this description; thence N 89 degrees 32' 00" W, 2677.7 feet to the North and South 1/4 line of said section; thence S 00 degrees 59' 25" W along the North and South 1/4 line of said section 22.38 feet to the North 1/8 line of said section; thence S 89 degrees 59' 10" W along the North 1/8 line of said section 2339.4 feet to the center line of State Trunkline Highway M-52; thence N 53 degrees 46' 00" W along the center line of said State

Trunkline Highway 414.22 feet to the West line of said section; thence N 00 degrees 55' 10" E along the West line of said section 74.35 feet; thence S 89 degrees 32' 00" E, 5356.02 feet to the East line of said section; thence S 01 degrees 03' 40" W along the East line of said section 250 feet to the place of beginning.

KALAMAZOO COUNTY

Certain land in Alamo Township, Kalamazoo County, Michigan described as:

The South 350 feet of the NW 1/4 of the NW 1/4 of Section 16, T1S, R12W, being more particularly described as follows: To find the place of beginning of this description, commence at the Northwest corner of said section; run thence S 00 degrees 36' 55" W along the West line of said section 971.02 feet to the place of beginning of this description; thence continuing S 00 degrees 36' 55" W along said West line of said section 350.18 feet to the North 1/8 line of said section; thence S 87 degrees 33' 40" E along the said North 1/8 line of said section 1325.1 feet to the West 1/8 line of said section; thence N 00 degrees 38' 25" E along the said West 1/8 line of said section 350.17 feet; thence N 87 degrees 33' 40" W, 1325.25 feet to the place of beginning.

KALKASKA COUNTY

Certain land in Kalkaska Township, Kalkaska County, Michigan described as:

The NW 1/4 of the SW 1/4 of Section 4, T27N, R7W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the Department of Conservation for the State of Michigan to George Welker and Mary Welker, his wife, dated October 9, 1934 and recorded December 28, 1934 in Liber 39 on page 291 of Kalkaska County Records, and subject to easement for pipeline purposes as granted to Michigan Consolidated Gas Company by first party herein on April 4, 1963 and recorded June 21, 1963 in Liber 91 on page 631 of Kalkaska County Records.

KENT COUNTY

Certain land in Caledonia Township, Kent County, Michigan described as:

A parcel of land in the Northwest fractional 1/4 of Section 15, T5N, R10W, described as follows: To find the place of beginning of this description commence at the North 1/4 corner of said section, run thence S 0 degrees 59' 26" E along the North and South 1/4 line of said section 2046.25 feet to the place of beginning of this description, thence continuing S 0 degrees 59' 26" E along said North and South 1/4 line of said section 332.88 feet, thence S 88 degrees 58' 30" W 2510.90 feet to a point herein designated "Point A" on the East bank of the Thornapple River, thence continuing S 88 degrees 53' 30" W to the center thread of the Thornapple River, thence NW'ly along the center thread of said Thornapple

River to a point which said point is S 88 degrees 58' 30" W of a point on the East bank of the Thornapple River herein designated "Point B", said "Point B" being N 23 degrees 41' 35" W 360.75 feet from said above-described "Point A", thence N 88 degrees 58' 30" E to said "Point B", thence continuing N 88 degrees 58' 30" E 2650.13 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R10W between the East 1/4 corner of said section and the Northeast corner of said section assumed as N 0 degrees 59' 55" W.)

LAKE COUNTY

Certain land in Pinora and Cherry Valley Townships, Lake County, Michigan described as:

A strip of land 50 feet wide East and West along and adjoining the West line of highway on the East side of the North 1/2 of Section 13 T18N, R12W. Also a strip of land 100 feet wide East and West along and adjoining the East line of the highway on the West side of following described land: The South 1/2 of NW 1/4, and the South 1/2 of the NW 1/4 of the SW 1/4, all in Section 6, T18N, R11W.

LAPEER COUNTY

Certain land in Hadley Township, Lapeer County, Michigan described as:

The South 825 feet of the W 1/2 of the SW 1/4 of Section 24, T6N, R9E, except the West 1064 feet thereof.

LEELANAU COUNTY

Certain land in Cleveland Township, Leelanau County, Michigan described as:

The North 200 feet of the West 180 feet of the SW 1/4 of the SE 1/4 of Section 35, T29N, R13W.

LENAWEE COUNTY

Certain land in Madison Township, Lenawee County, Michigan described as:

A strip of land 165 feet wide off the West side of the following described premises: The E 1/2 of the SE 1/4 of Section 12. The E 1/2 of the NE 1/4 and the NE 1/4 of the SE 1/4 of Section 13, being all in T7S, R3E, excepting therefrom a parcel of land in the E 1/2 of the SE 1/4 of Section 12, T7S, R3E, beginning at the Northwest corner of said E 1/2 of the SE 1/4 of Section 12, running thence East 4 rods, thence South 6 rods, thence West 4 rods, thence North 6 rods to the place of beginning.

LIVINGSTON COUNTY

Certain land in Cohoctah Township, Livingston County, Michigan described as:

Parcel 1

The East 390 feet of the East 50 rods of the SW 1/4 of Section 30, T4N, R4E.

Parcel 2

A parcel of land in the NW 1/4 of Section 31, T4N, R4E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 13' 06" W along the North line of said section, 330 feet to the place of beginning of this description; running thence S 00 degrees 52' 49" W, 2167.87 feet; thence N 88 degrees 59' 49" W, 60 feet; thence N 00 degrees 52' 49" E, 2167.66 feet to the North line of said section; thence S 89 degrees 13' 06" E along said North line of said section, 60 feet to the place of beginning.

MACOMB COUNTY

Certain land in Macomb Township, Macomb County, Michigan described as:

A parcel of land commencing on the West line of the E 1/2 of the NW 1/4 of fractional Section 6, 20 chains South of the NW corner of said E 1/2 of the NW 1/4 of Section 6; thence South on said West line and the East line of A. Henry Kotner's Hayes Road Subdivision #15, according to the recorded plat thereof, as recorded in Liber 24 of Plats, on page 7, 24.36 chains to the East and West 1/4 line of said Section 6; thence East on said East and West 1/4 line 8.93 chains; thence North parallel with the said West line of the E 1/2 of the NW 1/4 of Section 6, 24.36 chains; thence West 8.93 chains to the place of beginning, all in T3N, R13E.

MANISTEE COUNTY

Certain land in Manistee Township, Manistee County, Michigan described as:

A parcel of land in the SW 1/4 of Section 20, T22N, R16W, described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section; run thence East along the South line of said section 832.2 feet to the place of beginning of this description; thence continuing East along said South line of said section 132 feet; thence North 198 feet; thence West 132 feet; thence South 198 feet to the place of beginning, excepting therefrom the South 2 rods thereof which was conveyed to Manistee Township for highway purposes by a Quitclaim Deed dated June 13, 1919 and recorded July [11], 1919 in Liber 88 of Deeds on page 638 of Manistee County Records.

MASON COUNTY

Certain land in Riverton Township, Mason County, Michigan described as:

Parcel 1

The South 10 acres of the West 20 acres of the S 1/2 of the NE 1/4 of Section 22, T17N, R17W.

Parcel 2

A parcel of land containing 4 acres of the West side of highway, said parcel of land being described as commencing 16 rods South of the Northwest corner of the NW 1/4 of the SW 1/4 of Section 22, T17N, R17W, running thence South 64 rods, thence NE'ly and N'ly and NW'ly along the W'ly line of said highway to the place of beginning, together with any and all right, title, and interest of Howard C. Wicklund and Katherine E. Wicklund in and to that portion of the hereinbefore mentioned highway lying adjacent to the E'ly line of said above described land.

MECOSTA COUNTY

Certain land in Wheatland Township, Mecosta County, Michigan described as:

A parcel of land in the SW 1/4 of the SW 1/4 of Section 16, T14N, R7W, described as beginning at the Southwest corner of said section; thence East along the South line of Section 133 feet; thence North parallel to the West section line 133 feet; thence West 133 feet to the West line of said Section; thence South 133 feet to the place of beginning.

MIDLAND COUNTY

Certain land in Ingersoll Township, Midland County, Michigan described as:

The West 200 feet of the W 1/2 of the NE 1/4 of Section 4, T13N, R2E.

MISSAUKEE COUNTY

Certain land in Norwich Township, Missaukee County, Michigan described as:

A parcel of land in the NW 1/4 of the NW 1/4 of Section 16, T24N, R6W, described as follows: Commencing at the Northwest corner of said section, running thence N 89 degrees 01' 45" E along the North line of said section 233.00 feet; thence South 233.00 feet; thence S 89 degrees 01' 45" W, 233.00 feet to the West line of said section; thence North along said West line of said section 233.00 feet to the place of beginning. (Bearings are based on the West line of Section 16, T24N, R6W, between the Southwest and Northwest corners of said section assumed as North.)

MONROE COUNTY

Certain land in Whiteford Township, Monroe County, Michigan described as:

A parcel of land in the SW1/4 of Section 20, T8S, R6E, described as follows: To find the place of beginning of this description commence at the S 1/4 post of said section; run thence West along the South line of said section 1269.89 feet to the place of beginning of this description; thence continuing West along said South line of said section 100 feet; thence N 00 degrees 50' 35" E, 250 feet; thence East 100 feet; thence S 00 degrees 50' 35" W parallel with and 16.5 feet distant W'ly of as measured perpendicular to the West 1/8 line of said section, as occupied, a distance of 250 feet to the place of beginning.

MONTCALM COUNTY

Certain land in Crystal Township, Montcalm County, Michigan described as:

The N 1/2 of the S 1/2 of the SE 1/4 of Section 35, T10N, R5W.

MONTMORENCY COUNTY

Certain land in the Village of Hillman, Montmorency County, Michigan described as:

Lot 14 of Hillman Industrial Park, being a subdivision in the South 1/2 of the Northwest 1/4 of Section 24, T31N, R4E, according to the plat thereof recorded in Liber 4 of Plats on Pages 32-34, Montmorency County Records.

MUSKEGON COUNTY

Certain land in Casnovia Township, Muskegon County, Michigan described as:

The West 433 feet of the North 180 feet of the South 425 feet of the SW 1/4 of Section 3, T10N, R13W.

NEWAYGO COUNTY

Certain land in Ashland Township, Newaygo County, Michigan described as:

The West 250 feet of the NE 1/4 of Section 23, T11N, R13W.

OAKLAND COUNTY

Certain land in Wixcom City, Oakland County, Michigan described as:

The E 75 feet of the N 160 feet of the N 330 feet of the W 526.84 feet of the NW 1/4 of the NW 1/4 of Section 8, T1N, R8E, more particularly described as follows: Commence at the NW corner of said Section 8, thence N 87 degrees 14' 29" E along the North line of said Section 8 a distance of 451.84 feet to the place

of beginning for this description; thence continuing N 87 degrees 14' 29" E along said North section line a distance of 75.0 feet to the East line of the West 526.84 feet of the NW 1/4 of the NW 1/4 of said Section 8; thence S 02 degrees 37' 09" E along said East line a distance of 160.0 feet; thence S 87 degrees 14' 29" W a distance of 75.0 feet; thence N 02 degrees 37' 09" W a distance of 160.0 feet to the place of beginning.

OCEANA COUNTY

Certain land in Crystal Township, Oceana County, Michigan described as:

The East 290 feet of the SE 1/4 of the NW 1/4 and the East 290 feet of the NE 1/4 of the SW 1/4, all in Section 20, T16N, R16W.

OGEMAW COUNTY

Certain land in West Branch Township, Ogemaw County, Michigan described as:

The South 660 feet of the East 660 feet of the NE 1/4 of the NE 1/4 of Section 33, T22N, R2E.

OSCEOLA COUNTY

Certain land in Hersey Township, Osceola County, Michigan described as:

A parcel of land in the North 1/2 of the Northeast 1/4 of Section 13, T17N, R9W, described as commencing at the Northeast corner of said Section; thence West along the North Section line 999 feet to the point of beginning of this description; thence S 01 degrees 54' 20" E 1327.12 feet to the North 1/8 line; thence S 89 degrees 17' 05" W along the North 1/8 line 330.89 feet; thence N 01 degrees 54' 20" W 1331.26 feet to the North Section line; thence East along the North Section line 331 feet to the point of beginning.

OSCODA COUNTY

Certain land in Comins Township, Oscoda County, Michigan described as:

The East 400 feet of the South 580 feet of the W 1/2 of the SW 1/4 of Section 15, T27N, R3E.

OTSEGO COUNTY

Certain land in Corwith Township, Otsego County, Michigan described as:

Part of the NW 1/4 of the NE 1/4 of Section 28, T32N, R3W, described as: Beginning at the N 1/4 corner of said section; running thence S 89 degrees 04' 06" E along the North line of said section, 330.00 feet; thence S 00 degrees 28' 43" E, 400.00 feet; thence N 89 degrees 04' 06" W, 330.00 feet to the North and

South 1/4 line of said section; thence N 00 degrees 28' 43" W along the said North and South 1/4 line of said section, 400.00 feet to the point of beginning; subject to the use of the N'ly 33.00 feet thereof for highway purposes.

OTTAWA COUNTY

Certain land in Robinson Township, Ottawa County, Michigan described as:

The North 660 feet of the West 660 feet of the NE 1/4 of the NW 1/4 of Section 26, T7N, R15W.

PRESQUE ISLE COUNTY

Certain land in Belknap and Pulawski Townships, Presque Isle County, Michigan described as:

Part of the South half of the Northeast quarter, Section 24, T34N, R5E, and part of the Northwest quarter, Section 19, T34N, R6E, more fully described as: Commencing at the East 1/4 corner of said Section 24; thence N 00 degrees15'47" E, 507.42 feet, along the East line of said Section 24 to the point of beginning; thence S 88 degrees15'36" W, 400.00 feet, parallel with the North 1/8 line of said Section 24; thence N 00 degrees15'47" E, 800.00 feet, parallel with said East line of Section 24; thence N 88 degrees15'36"E, 800.00 feet, along said North 1/8 line of Section 24 and said line extended; thence S 00 degrees15'47" W, 800.00 feet, parallel with said East line of Section 24; thence S 88 degrees15'36" W, 400.00 feet, parallel with said North 1/8 line of Section 24 to the point of beginning.

Together with a 33 foot easement along the West 33 feet of the Northwest quarter lying North of the North 1/8 line of Section 24, Belknap Township, extended, in Section 19, T34N, R6E.

ROSCOMMON COUNTY

Certain land in Gerrish Township, Roscommon County, Michigan described as:

A parcel of land in the NW 1/4 of Section 19, T24N, R3W, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section, run thence East along the North line of said section 1,163.2 feet to the place of beginning of this description (said point also being the place of intersection of the West 1/8 line of said section with the North line of said section), thence S 01 degrees 01' E along said West 1/8 line 132 feet, thence West parallel with the North line of said section 132 feet, thence N 01 degrees 01' W parallel with said West 1/8 line of said section 132 feet to the North line of said section, thence East along the North line of said section 132 feet to the place of beginning.

SAGINAW COUNTY

Certain land in Chapin Township, Saginaw County, Michigan described as:

A parcel of land in the SW 1/4 of Section 13, T9N, R1E, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence North along the West line of said section 1581.4 feet to the place of beginning of this description; thence continuing North along said West line of said section 230 feet to the center line of a creek; thence S 70 degrees 07' 00" E along said center line of said creek 196.78 feet; thence South 163.13 feet; thence West 185 feet to the West line of said section and the place of beginning.

SANILAC COUNTY

Certain easement rights located across land in Minden Township, Sanilac County, Michigan described as:

The Southeast 1/4 of the Southeast 1/4 of Section 1, T14N, R14E, excepting therefrom the South 83 feet of the East 83 feet thereof.

SHIAWASSEE COUNTY

Certain land in Burns Township, Shiawassee County, Michigan described as:

The South 330 feet of the E 1/2 of the NE 1/4 of Section 36, T5N, R4E.

ST. CLAIR COUNTY

Certain land in Ira Township, St. Clair County, Michigan described as:

The N 1/2 of the NW 1/4 of the NE 1/4 of Section 6, T3N, R15E.

ST. JOSEPH COUNTY

Certain land in Mendon Township, St. Joseph County, Michigan described as:

The North 660 feet of the West 660 feet of the NW 1/4 of SW 1/4, Section 35, T5S, R10W.

TUSCOLA COUNTY

Certain land in Millington Township, Tuscola County, Michigan described as:

A strip of land 280 feet wide across the East 96 rods of the South 20 rods of the N 1/2 of the SE 1/4 of Section 34, T10N, R8E, more particularly described as commencing at the Northeast corner of Section 3, T9N, R8E, thence S 89 degrees 55' 35" W along the South line of said Section 34 a distance of 329.65 feet, thence N 18 degrees 11' 50" W a distance of 1398.67 feet to the South 1/8

line of said Section 34 and the place of beginning for this description; thence continuing N 18 degrees 11' 50" W a distance of 349.91 feet; thence N 89 degrees 57' 01" W a distance of 294.80 feet; thence S 18 degrees 11' 50" E a distance of 350.04 feet to the South 1/8 line of said Section 34; thence S 89 degrees 58' 29" E along the South 1/8 line of said section a distance of 294.76 feet to the place of beginning.

VAN BUREN COUNTY

Certain land in Covert Township, Van Buren County, Michigan described as:

All that part of the West 20 acres of the N 1/2 of the NE fractional 1/4 of Section 1, T2S, R17W, except the West 17 rods of the North 80 rods, being more particularly described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 29' 20" E along the North line of said section 280.5 feet to the place of beginning of this description; thence continuing N 89 degrees 29' 20" E along said North line of said section 288.29 feet; thence S 00 degrees 44' 00" E, 1531.92 feet; thence S 89 degrees 33' 30" W, 568.79 feet to the North and South 1/4 line of said section; thence N 00 degrees 44' 00" W along said North and South 1/4 line of said section 211.4 feet; thence N 89 degrees 29' 20" E, 280.5 feet; thence N 00 degrees 44' 00" W, 1320 feet to the North line of said section and the place of beginning.

WASHTENAW COUNTY

Certain land in Manchester Township, Washtenaw County, Michigan described as:

A parcel of land in the NE 1/4 of the NW 1/4 of Section 1, T4S, R3E, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section; run thence East along the North line of said section 1355.07 feet to the West 1/8 line of said section; thence S 00 degrees 22' 20" E along said West 1/8 line of said section 927.66 feet to the place of beginning of this description; thence continuing S 00 degrees 22' 20" E along said West 1/8 line of said section 660 feet to the North 1/8 line of said section; thence N 86 degrees 36' 57" E along said North 1/8 line of said section 660.91 feet; thence N 00 degrees22' 20" W, 660 feet; thence S 86 degrees 36' 57" W, 660.91 feet to the place of beginning.

WAYNE COUNTY

Certain land in Livonia City, Wayne County, Michigan described as:

Commencing at the Southeast corner of Section 6, T1S, R9E; thence North along the East line of Section 6 a distance of 253 feet to the point of beginning; thence continuing North along the East line of Section 6 a distance of 50 feet; thence Westerly parallel to the South line of Section 6, a distance of 215 feet; thence Southerly parallel to the East line of Section 6 a distance of 50 feet;

thence easterly parallel with the South line of Section 6 a distance of 215 feet to the point of beginning.

WEXFORD COUNTY

Certain land in Selma Township, Wexford County, Michigan described as:

A parcel of land in the NW 1/4 of Section 7, T22N, R10W, described as beginning on the North line of said section at a point 200 feet East of the West line of said section, running thence East along said North section line 450 feet, thence South parallel with said West section line 350 feet, thence West parallel with said North section line 450 feet, thence North parallel with said West section line 350 feet to the place of beginning.

SECTION 12. The Company is a transmitting utility under Section 9501(2) of the Michigan Uniform Commercial Code (M.C.L. 440.9501 (2)) as defined in M.C.L. 440.9102(1)(aaaa).

IN WITNESS WHEREOF, said Consumers Energy Company has caused this Supplemental Indenture to be executed in its corporate name by its Chairman of the Board, President, a Vice President or its Treasurer and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and said JPMorgan Chase Bank, as Trustee as aforesaid, to evidence its acceptance hereof, has caused this Supplemental Indenture to be executed in its corporate name by a Vice President and its corporate seal to be hereunto affixed and to be attested by a Trust Officer, in several counterparts, all as of the day and year first above written.

CONSUMERS ENERGY COMPANY

(SEAL) By ----------------------------
Paul A. Stadnikia
Treasurer

Attest:

- ----------------------
Joyce H. Norkey
Assistant Secretary

Signed, sealed and delivered
by CONSUMERS ENERGY COMPANY
in the presence of

- ----------------------
Kimberly C. Wilson

- ----------------------
Sammie B. Dalton

STATE OF MICHIGAN)
ss.
COUNTY OF JACKSON)

The foregoing instrument was acknowledged before me this 26th day of March, 2003, by Paul A. Stadnikia, Treasurer of CONSUMERS ENERGY COMPANY, a Michigan corporation, on behalf of the corporation.

Margaret Hillman, Notary Public
Jackson County, Michigan
My Commission Expires: June 14, 2004

[Seal]

JPMORGAN CHASE BANK, AS TRUSTEE

(SEAL) By

L. O'Brien
Vice President

Attest:

- ------------------------------

VIRGINIA DOMINGUEZ
Trust Officer [ILLEGIBLE]

Signed, sealed and delivered
by JPMORGAN CHASE BANK
in the presence of

- ----------------------------

NATALIA RODRIGUEZ
VICE PRESIDENT

- ----------------------------

WILLIAM G. KEENAN
VICE PRESIDENT

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 26th day of March, 2003, by L. O'Brien, a Vice President of JPMORGAN CHASE BANK, a New York corporation, on behalf of the corporation.

Notary Public
New York County, New York
My Commission Expires:

[Seal]

Prepared by:
Kimberly C. Wilson
212 West Michigan Avenue
Jackson, MI 49201

When recorded, return to:
Consumers Energy Company
Business Services Real Estate Dept.
Attn: Nancy Fisher EP7-439
One Energy Plaza
Jackson, MI 49201

EXHIBIT B-1

REQUIRED OPINIONS FROM

MICHAEL D. VANHEMERT, ESQ.

MICHAEL D. VAN HEMERT, ESQ.
DEPUTY GENERAL COUNSEL

Facsimile Number: (313) 436-9225
Writer's Direct Dial Number: (313) 436-9602

March 26, 2003

To: The Agent and the Banks, which are parties to the Agreement referred to below

Ladies and Gentlemen:

I am Deputy General Counsel for CMS Energy Corporation, a Michigan corporation. CMS Energy Corporation is the parent company of Consumers Energy Company, a Michigan corporation ("the Company"). As special counsel for the Company, I, or an attorney or attorneys under my general supervision, have represented the Company in connection with its execution and delivery of a Term Loan Agreement between the Company and Beal Bank, S.S.B., as agent for the banks named therein (the "Banks") dated as of March 26, 2003 (the "Agreement"). All capitalized terms used in this opinion shall have the meanings attributed to them in the Agreement.

I, or an attorney or attorneys under my general supervision, have examined the Company's Restated Articles of Incorporation, as amended, ("Articles of Incorporation") and bylaws, resolutions of the Board of Directors of the Company, the Loan Documents and such other documents and records as I have deemed necessary in order to render this opinion. Based upon the foregoing, it is my opinion that:

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Michigan.

2. The execution and delivery of the Loan Documents by the Company and the performance by the Company of the Obligations have been duly authorized by all necessary corporate action and proceedings on the part of the Company and will not:

   (a) contravene the Company's Restated Articles of Incorporation, as amended, or bylaws;

   (b) contravene any law, including usury laws, or any contractual restriction imposed by any indenture or any other agreement or instrument evidencing or governing indebtedness for borrowed money of the Company; or

   (c) result in or require the creation of any Lien upon or with respect to any of the Company's properties except the lien of the Indenture securing the Bonds.

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3. The Loan Documents have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforced in accordance with their respective term subject to (a) the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) the application of general principles of equity (regardless of whether considered in a preceding in equity or at law).

4. To the best of my knowledge, there is no pending or threatened action or proceeding against the Company or any of its Consolidated Subsidiaries before any court, governmental agency or arbitrator (except (i) to the extent described in the Company's annual report on Form 10-K/A for the year ended December 31, 2001, and the quarterly report on Form 10-Q/A for the quarter ended September 30, 2002, in each case as filed with the SEC, and (ii) such other similar actions, suits and proceedings predicated on the occurrence of the same events giving rise to any actions, suits and proceedings described in the reports filed with the SEC set forth in clause (i) of this paragraph 4) which might reasonably be expected to materially adversely affect the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, or that would materially adversely affect the Company's ability to perform its obligations under any Loan Document. To the best of my knowledge, there is no litigation challenging the validity or enforceability of any of the Loan Documents.

5. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Company of any Loan Document, except for the authorization to issue, sell or guarantee secured and/or unsecured long-term debt granted by the Federal Energy Regulatory Commission (hereinafter the "FERC") in Docket No. ES02-36-001 and for the waiver of the competitive bidding and negotiated placement requirements granted by the FERC in Docket No. ES02-36-001 (hereinafter collectively the "FERC Orders"). The FERC Orders are in full force and effect as of the date hereof.

6. The Bonds, assuming the execution of the authentication contained thereon by the Trustee, are in due and proper form and, when delivered to the Agent pursuant to the Bond Delivery Agreement, will evidence and secure the Obligations owing under the Agreement and will be valid and enforceable obligations of the Company in accordance with their terms, secured by the lien of the Indenture on an equal and ratable basis with all other bonds issued thereunder and otherwise entitled to the benefits provided by the Indenture.

7. The Indenture has been qualified under the Trust Indenture Act of 1939, as amended, and the execution and delivery of the Supplemental Indenture will not cause the Indenture to not be so qualified.

8. The Company is not an "investment company" or a company "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

9. The Company (i) is a "public utility" and a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended (the "Holding Company Act"), and (ii) is currently exempt from all provisions of the Holding Company Act, except Section 9(a)(2) thereof.

The opinions set forth in paragraph 2(b) above are subject to the qualification that the laws of the State of Michigan provide that while a corporation may agree in writing to pay any rate of interest, MCLA 450.1275; MSA 21.200(275), it is criminal usury to charge more than 25 percent interest, MCLA 438.41; MSA 19.15(51). I note that the Michigan Attorney General has opined that the criminal usury rate applies to corporations and thus, the interest rate that a corporation may agree to pay may be limited to 25 percent. 1979-1980 OAG, No. 5,740 at 877 (July 17, 1980).

I am a member of the bar of the State of Michigan, and as such, have made no investigation of, and give no opinion on, the laws of any state or country other than those of the State of Michigan, and, to the extent pertinent, of the United States of America.

This opinion may be relied upon, and is solely for the benefit of, the Agent and the Banks and their participants and assignees under the Agreement, and is not to be otherwise used, circulated, quoted, referred to or relied upon for any purpose without my express written permission.

Sincerely,

Michael D. Van Hemert
Deputy General Counsel

Fairlane Plaza South . 330 Town Center Drive . Suite 1000 . Dearborn, MI 48126-2712

EXHIBIT B-2

REQUIRED OPINIONS FROM

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

1. The Bonds, assuming the execution of the authentication contained thereon by the Trustee, are in due and proper form and, when delivered to the Agent pursuant to the Bond Delivery Agreement, will evidence and secure the Obligations owing under the Agreement and will be valid and enforceable obligations of the Company in accordance with their terms, secured by the lien of the Indenture on an equal and ratable basis with all other bonds issued thereunder and otherwise entitled to the benefits provided by the Indenture.

EXHIBIT C

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor], (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Loan Agreement identified below (as amended, the "Loan Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Loan Agreement, as of the Effective Date inserted by the Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations in its capacity as a Bank under the Loan Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including without limitation, to the extent permitted to be assigned under applicable law, all claims (including without limitation contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity), suits, causes of action and any other right of the Assignor against any Person whether known or unknown arising under or in connection with the Loan Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1 Assignor: ________________________

2. Assignee: ________________________ [and is an affiliate of Assignor]

3 Borrower: CONSUMERS ENERGY COMPANY

4. Agent: Beal Bank, S.S.B., as the Agent under the Loan Agreement.

5. Loan Agreement: The Term Loan Agreement dated as of March 26, 2003 among Consumers Energy Company, the Banks party thereto, and Beal Bank, S.S.B., as Agent.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Outstanding Term Loans for all Banks*	Amount of Outstanding Term Loans Assigned*	Percentage Assigned of Outstanding Term Loans(1)
Term Loans	$______________	$________________	_______%

7. Trade Date: _______________________________________(2)

Effective Date: _____________, 20__ [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER BY THE AGENT]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _______________________
Title: ________________

ASSIGNEE
[NAME OF ASSIGNEE]

By: _______________________
Title: ________________

Consented to and Accepted:

BEAL BANK, S.S.B., as Agent

By: ___________________________
Title: ____________________

- ----------------------------

* Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(1) Set forth, to at least 9 decimals, as a percentage of the Term Loans of all Banks thereunder.

(2) Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.

ANNEX 1
TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby. Neither the Assignor nor any of its officers, directors, employees, agents or attorneys shall be responsible for (i) any statements, warranties or representations made in or in connection with the Loan Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency, perfection, priority, collectibility, or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document, (v) inspecting any of the property, books or records of the Company, or any guarantor, or (vi) any mistake, error of judgment, or action taken or omitted to be taken in connection with the Term Loans or the Loan Documents.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Bank under the Loan Agreement, (ii) from and after the Effective Date, it shall be bound by the provisions of the Loan Agreement as a Bank thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Bank thereunder, (iii) agrees that its payment instructions and notice instructions are as set forth in Schedule 1 to this Assignment and Assumption, (iv) confirms that none of the funds, monies, assets or other consideration being used to make the purchase and assumption hereunder are "plan assets" as defined under ERISA and that its rights, benefits and interests in and under the Loan Documents will not be "plan assets" under ERISA, (v) agrees to indemnify and hold the Assignor harmless against all losses, costs and expenses (including, without limitation, reasonable attorneys' fees) and liabilities incurred by the Assignor in connection with or arising in any manner from the Assignee's non-performance of the obligations assumed under this Assignment and Assumption, (vi) it has received a copy of the Loan Agreement, together with copies of financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Agent or any other Bank, and (vii) attached as Schedule 1 to this Assignment and Assumption is any documentation required to be delivered by the Assignee with respect to its tax status pursuant to the terms of the Loan Agreement, duly completed and executed by the Assignee and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Bank.

2. Payments. The Assignee shall pay the Assignor, on the Effective Date, the amount agreed to by the Assignor and the Assignee. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Michigan.

ADMINISTRATIVE DETAILS FORM

DEAL NAME: CONSUMERS ENERGY COMPANY

GENERAL INFORMATION

YOUR INSTITUTIONS LEGAL NAME:

TAX WITHHOLDING:

Note: To avoid the potential of having interest income withheld, all investors must deliver all current and appropriate tax forms.
Tax ID #:

SUB-ALLOCATION: (United States only)

Note: If your institution is sub-allocating its allocation, please fill out the information below. Additionally, an administrative detail form is required for each legal entity. Execution copies (e.g. Credit Agreement/Assignment Agreement) will be sent for signature to the Sub-Allocation Contact below.

Sub-Allocated Amount: $________________

Signing Credit Agreement? Yes No

Coming In Via Assignment? Yes No

SUB-ALLOCATION CONTACT:

NAME:

Address: ___________________________________ E-mail: _____________
____
City: ______________ State: ___________ Phone #: _____________
Postal Code ______________ Country: ___________ Fax #: _____________

CONTACT LIST

BUSINESS/CREDIT MATTERS: (Responsible for trading and credit approval process of the deal)

Primary:

NAME:

Address: ___________________________________ E-mail: _____________
____
City: ______________ State: ___________ Phone #: _____________
Postal Code ______________ Country: ___________ Fax #: _____________

Backup:

NAME:

Address: ___________________________________ E-mail: _____________
____
City: ______________ State: ___________ Phone #: _____________
Postal Code ______________ Country: ___________ Fax #: _____________

ADMINISTRATIVE DETAILS FORM

ADMIN/OPERATIONS MATTERS: (Responsible for interest, fee, principal payment, borrowing & pay-downs)

Primary:

NAME:

Address:	____________________			E-mail:	____________
	____________________				
City:	____________	State:	__________	Phone #:	____________
Postal Code	____________	Country:	__________	Fax #:	____________

Backup:

NAME:

Address:	____________________			E-mail:	____________
	____________________				
City:	____________	State:	__________	Phone #:	____________
Postal Code	____________	Country:	__________	Fax #:	____________

CLOSING CONTACT: (Responsible for Deal Closing matters)

NAME:

Address:	____________________			E-mail:	____________
	____________________				
City:	____________	State:	__________	Phone #:	____________
Postal Code	____________	Country:	__________	Fax #:	____________

DISCLOSURE CONTACT: (Receives disclosure materials, such as financial reports, via our web site)

NAME:

Address:	____________________			E-mail:	____________
	____________________				
City:	____________	State:	__________	Phone #:	____________
Postal Code	____________	Country:	__________	Fax #:	____________

ADMINISTRATIVE DETAILS FORM

ROUTING INSTRUCTIONS

ROUTING INSTRUCTIONS FOR THIS DEAL:

CORRESPONDENT BANK:

City: __________ State: _______ ACCOUNT NAME: ______________
Postal Code __________ ACCOUNT #:
Payment Type: BENEF. ACCT. NAME: ______________
[ ]Fed [ ]ABA [ ]CHIPS BENEF. ACCT. #: ______________

ABA/CHIPS #:

REFERENCE: ____________________
Attention: ____________________

ADMINISTRATIVE AGENT INFORMATION

BANK LOANS SYNDICATION - AGENT CONTACT AGENT WIRING INSTRUCTIONS

Name:
Telephone:
Fax:

Address:

INITIAL FUNDING STANDARDS: LIBOR - Fund 2 days after rates are set.

EXHIBIT D

BOND DELIVERY AGREEMENT

BOND DELIVERY AGREEMENT

CONSUMERS ENERGY COMPANY

to

BEAL BANK, S.S.B., as Agent

Dated as of March 26, 2003

Relating to
First Mortgage Bonds, Collateral Series due March 26, 2009

THIS BOND DELIVERY AGREEMENT (this "Agreement"), dated as of March 26, 2003, is between Consumers Energy Company (the "Company") and Beal Bank, S.S.B., as agent (the "Agent") under the Term Loan Agreement (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") dated as of March 26, 2003, among the Company, the financial institutions parties thereto (the "Banks"), and the Agent. Capitalized terms used but not otherwise defined herein have the respective meanings assigned to such terms in the Loan Agreement.

Whereas, the Company has established its First Mortgage Bonds, Collateral Series due 2009, in the aggregate principal amount of $140,000,000 (the "Bonds"), to be issued under and in accordance with the Eighty-Seventh Supplemental Indenture dated as of March 26, 2003 (the "Supplemental Indenture") to the Indenture; and

Whereas, the Company proposes to issue and deliver to the Agent, for the benefit of the Banks, the Bonds in order to provide the Bonds as evidence of (and the benefit of the lien of the Indenture with respect to the Bonds for) the Obligations of the Company arising under the Loan Agreement;

Now, therefore, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Company and the Agent hereby agree as follows:

ARTICLE I
THE BONDS

Section 1.1 Delivery of Bonds.

In order to provide the Bonds as evidence of (and through the Bonds the benefit of the Lien of the Indenture for) the Obligations of the Company under the Loan Agreement as aforesaid, the Company hereby delivers to the Agent the Bonds in the aggregate principal amount of $140,000,000, maturing on March 26, 2009 and bearing interest as provided in the Supplemental Indenture. The obligation of the Company to pay the principal of and interest on the Bonds shall be deemed to have been satisfied and discharged in full or in part, as the case may be, to the extent of payment by the Company of the Obligations, all as set forth in the Bonds and in Section 1 of the Supplemental Indenture.

The Bonds are registered in the name of the Agent and shall be owned and held by the Agent, subject to the provisions of this Agreement, for the benefit of the Banks, and the Company shall have no interest therein. The Agent shall be entitled to exercise all rights of bondholders under the Indenture with respect to the Bonds.

The Agent acknowledges receipt of the Bonds.

Section 1.2 Payments on the Bonds.

Any payments received by the Agent on account of the principal of or interest on the Bonds shall be deemed to be and treated in all respects as payments on the Obligations, and such payments shall be distributed by the Agent to the Banks in accordance with the provisions of the Loan Agreement applicable to payments received by the Agent in respect of the Obligations (and the Company hereby consents to such distributions).

ARTICLE II
NO TRANSFER OF BONDS; SURRENDER OF BONDS

Section 2.1 No Transfer of the Bonds.

The Agent shall not sell, assign or otherwise transfer any Bonds delivered to it under this Agreement except to a successor administrative agent under the Loan Agreement. The Company may take such actions as it shall deem necessary, desirable or appropriate to effect compliance with such restrictions on transfer, including the issuance of stop-transfer instructions to the trustee under the Indenture or any other transfer agent thereunder.

Section 2.2 Surrender of Bonds.

(a) The Agent shall forthwith surrender to or upon the order of the Company all Bonds held by it at the first time at which all Obligations shall have been paid in full.

(b) Upon any prepayments of Term Loans pursuant to the terms of the Loan Agreement, the Agent shall forthwith surrender to or upon the order of the Company Bonds in an aggregate principal amount equal to the excess of the aggregate principal amount of Bonds held by the Agent over the aggregate outstanding Tern Loans.

ARTICLE III
GOVERNING LAW

This Agreement shall construed in accordance with and governed by the laws of the State of Michigan and the applicable laws of the United States of America.

IN WITNESS WHEREOF, the Company and the Agent have caused this Agreement to be executed and delivered as of the date first above written.

CONSUMERS ENERGY COMPANY

By: /s/ Laura L. Mountcastle
Name: Laura L. Mountcastle
Title: Vice President

BEAL BANK, S.S.B., as Agent

By: ___________________________
William T. Saurenmann
Title: Senior Vice President

ARTICLE II
NO TRANSFER OF BONDS; SURRENDER OF BONDS

Section 2.1 No Transfer of the Bonds.

The Agent shall not sell, assign or otherwise transfer any Bonds delivered to it under this Agreement except to a successor administrative agent under the Loan Agreement. The Company may take such actions as it shall deem necessary, desirable or appropriate to effect compliance with such restrictions on transfer, including the issuance of stop-transfer instructions to the trustee under the Indenture or any other transfer agent thereunder.

Section 2.2 Surrender of Bonds.

(a) The Agent shall forthwith Surrender to upon the order of the Company all Bonds held by it at the first time at which all Obligations shall have been paid in full.

(b) Upon any prepayments of Term Loans pursuant to the terms of the Loan Agreement, the Agent shall forthwith surrender to or upon the order of the Company Bonds in an aggregate principal mount equal to the excess of the aggregate principal amount of Bonds held by the Agent over the aggregate outstanding Term Loans.

ARTICLE III
GOVERNING LAW

This Agreement shall construed in accordance with and governed by the laws of the State of Michigan and the applicable laws of the United States of America.

IN WITNESS WHEREOF, the Company and the Agent have caused this Agreement to be executed and delivered as of the date first above written.

By: ___________________________
Name: ______________________
Title: ______________________

BEAL BANK, S.S.B., as Agent

By: /s/ William T. Saurenmann

William T. Saurenmann
Title: Senior Vice President

COMMITMENT SCHEDULE

BANKS	TERM LOAN COMMITMENT
Beal Bank, S.S.B.	$140,000,000
AGGREGATE TERM LOAN COMMITMENTS	$140,000,000

EXHIBIT 4(f)

EXECUTION COPY

==

CREDIT AGREEMENT

Dated as of March 27, 2003

among

CONSUMERS ENERGY COMPANY,
as the Borrower,

THE FINANCIAL INSTITUTIONS NAMED HEREIN,
as the Banks,

BANK ONE, NA,
as Agent

and

CITICORP NORTH AMERICA, INC.,

JP MORGAN CHASE BANK,

UNION BANK OF CALIFORNIA, N.A.,
as Co-Documentation Agents

==

BANC ONE CAPITAL MARKETS, INC.

and

BARCLAYS CAPITAL

as Co-Lead Arrangers and Joint Book Runners

==

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EXHIBITS

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Exhibit B-2	Required Opinions from Skadden, Arps, Slate, Meagher & Flom, LLP
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Exhibit D	Form of Assignment and Assumption Agreement
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Exhibit G	Form of Bond Delivery Agreement

CREDIT AGREEMENT

This Credit Agreement, dated as of March 27, 2003, is among Consumers Energy Company, a Michigan corporation (the "Company"), the financial institutions listed on the signature pages hereof (together with their respective successors and assigns, the "Banks") and Bank One, NA, a national banking association having its principal office in Chicago, Illinois, as Agent and as LC Issuer.

W I T N E S S E T H:

WHEREAS, the Company has requested, and the Banks have agreed to enter into, a credit facility in an aggregate amount of $250,000,000;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 Definitions. As used in this Agreement:

"Accounting Changes" - see Section 1.3.

"Adjusted Face Amount" means, with respect to any Zero Rate Bond, the Face Amount of such Zero Rate Bond minus all payments under this Agreement which, in accordance with the terms set forth in the Supplemental Indenture, reduce the principal amount of such Zero Rate Bond.

"Advance" means a group of Loans made by the Banks hereunder of the same Type, made, converted or continued on the same day and, in the case of Eurodollar Rate Loans, having the same Interest Period.

"Agent" means Bank One in its capacity as administrative agent for the Banks pursuant to Article XIII, and not in its individual capacity as a Bank, and any successor Agent appointed pursuant to Article XIII.

"Aggregate Commitment" means the aggregate amount of the Commitments of all Banks.

"Aggregate Outstanding Credit Exposure" means, at any time, the aggregate of the Outstanding Credit Exposure of all the Banks.

"Agreement" means this Credit Agreement, as amended from time to time.

"Alternate Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of the Federal Funds Effective Rate for such day plus 1/2% per annum.

"Applicable Margin" means, with respect to Advances of any Type at any time, the percentage rate per annum which is applicable at such time with respect to Advances of such Type as set forth in the Pricing Schedule.

"Arranger" - see Section 13.12.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Assignment Agreement" - see Section 12.1(e).

"Available Aggregate Commitment" means, at any time, the Available Commitment then in effect minus the Aggregate Outstanding Credit Exposure at such time.

"Available Commitment" means, at any time, the lesser of (i) the Aggregate Commitment and (ii) the sum of the Face Amount of Interest Bearing Bonds and the Adjusted Face Amount of Zero Rate Bonds.

"Banks" - see the preamble.

"Bank One" means Bank One, NA (Main Office - Chicago), in its individual capacity, and its successors and assigns.

"Base Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, the per annum interest rate determined by the offered rate per annum at which deposits in U.S. dollars, for a period equal or comparable to such Interest Period, appears on Telerate page 3750 (or any successor page) as of 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or in the event such offered rate is not available from the Telerate page, the rate offered on deposits in U.S. dollars, for a period equal or comparable to such Interest Period, by Bank One's London Office to prime banks in the London interbank market at approximately 11:00 a.m. (London time), two Business Days prior to the first day of such Interest Period, and in an amount substantially equal to the amount of Bank One's relevant Eurodollar Rate Loan for such Interest Period.

"Bonds" means, collectively, the Interest Bearing Bonds and the Zero Rate Bonds.

"Bond Delivery Agreement" means a bond delivery agreement whereby the Agent (x) acknowledges delivery of the Bonds and (y) agrees to hold the Bonds for the benefit of the Banks and to distribute all payments made by the Company on account thereof to the Banks, substantially in the form of Exhibit G.

"Borrowing Date" means a date on which a Credit Extension is made hereunder.

"Borrowing Notice" - see Section 2.8.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their

commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Capital Lease" means any lease which has been or would be capitalized on the books of the lessee in accordance with GAAP.

"CMS" means CMS Energy Corporation, a Michigan corporation.

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

"Collateral Shortfall Amount" - see Section 9.2.

"Commitment" means, for each Bank, the obligation of such Bank to make Loans to, and participate in Facility LCs issued upon the application of, the Company in an aggregate amount not exceeding the amount set forth on the Commitment Schedule or as set forth in any Assignment Agreement that has become effective pursuant to Section 12.1, as such amount may be modified from time to time.

"Commitment Fee" - see Section 2.5.

"Commitment Fee Rate" means, at any time, the percentage rate per annum at which Commitment Fees are accruing on the Unused Commitment as set forth in the Pricing Schedule.

"Commitment Schedule" means the Schedule identifying each Bank's Commitment as of the date hereof attached hereto and identified as such.

"Company" - see the preamble.

"Consolidated EBIT" means, for any period, Consolidated Net Income for such period plus (i) to the extent deducted from revenues in determining such Consolidated Net Income (without duplication), (a) Consolidated Interest Expense, (b) expense for taxes paid or accrued, and (c) any non-cash write-offs and write-downs contained in the Company's Consolidated Net Income, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts minus (ii) to the extent included in such Consolidated Net Income, extraordinary gains realized other than in the ordinary course of business, all calculated for the Company and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means with respect to any period for which the amount thereof is to be determined, an amount equal to interest expense on Debt, including payments in the nature of interest under Capital Leases but excluding dividends paid on Hybrid Preferred Securities, all calculated for the Company and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Company and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of the Company in accordance with GAAP.

"Credit Documents" means this Agreement, the Facility LC Applications, the Supplemental Indenture and the Bonds.

"Credit Extension" means the making of an Advance or the issuance of a Facility LC hereunder.

"Debt" means, with respect to any Person, and without duplication, (a) all indebtedness of such Person for borrowed money, (b) all indebtedness of such Person for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business which are not overdue), (c) all Unfunded Vested Liabilities of such Person (if such Person is not the Company, determined in a manner analogous to that of determining Unfunded Vested Liabilities of the Company), (d) all obligations of such Person arising under acceptance facilities, (e) all obligations of such Person as lessee under Capital Leases, (f) all obligations of such Person arising under any interest rate swap, "cap", "collar" or other hedging agreement; provided that for purposes of the calculation of Debt for this clause (f) only, the actual amount of Debt of such Person shall be determined on a net basis to the extent such agreements permit such amounts to be calculated on a net basis, and (g) all guaranties, endorsements (other than for collection in the ordinary course of business) and other contingent obligations of such Person to assure a creditor against loss (whether by the purchase of goods or services, the provision of funds for payment, the supply of funds to invest in any Person or otherwise) in respect of indebtedness or obligations of any other Person of the kinds referred to in clauses (a) through (f) above.

"Default" means an event which but for the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Designated Officer" means the Chief Financial Officer, the Treasurer, an Assistant Treasurer, any Vice President in charge of financial or accounting matters or the principal accounting officer of the Company.

"Discounted Amount" means, with respect to any Zero Rate Bond, the Adjusted Face Amount of such Bond minus the product of (x) such Adjusted Face Amount multiplied by (y) a percentage equal to the sum of the highest interest rate then applicable to any Eurodollar Rate Loan hereunder (or, if no Eurodollar Rate Loans are then outstanding hereunder, the rate that would be applicable to a Eurodollar Rate Loan borrowed on the most recent Business Day for a one-month Interest Period) plus the then applicable Commitment Fee Rate multiplied by (z) a fraction, the numerator of which is the number of days remaining until the Termination Date and the denominator of which is 360.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company or is under common control (within the meaning of Section 414(c) of the Code) with the Company.

"Eurodollar Advance" means an Advance consisting of Eurodollar Rate Loans.

"Eurodollar Rate" means, with respect to a Eurodollar Advance for the relevant Interest Period, an interest rate per annum equal to the sum of (i) the quotient obtained by dividing (a) the Base Eurodollar Rate applicable to such Interest Period by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable Margin.

"Eurodollar Rate Loan" means a Loan which bears interest by reference to the Eurodollar Rate.

"Event of Default" means an event described in Article IX.

"Excluded Taxes" means, in the case of each Bank, the LC Issuer or applicable Lending Installation and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Bank, the LC Issuer or the Agent is incorporated or organized or (ii) the jurisdiction in which the Agent's, the LC Issuer's or such Bank's principal executive office or such Bank's or the LC Issuer's applicable Lending Installation is located.

"Face Amount" means, with respect to any Bond, the face amount of such Bond.

"Facility LC" - see Section 3.1.

"Facility LC Application" - see Section 3.3.

"Facility LC Collateral Account" means a special, interest-bearing account maintained (pursuant to arrangements satisfactory to the Agent) at the Agent's office at the address specified pursuant to Article XII, which account shall be in the name of the Company but under the sole dominium and control of the Agent, for the benefit of the Banks.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published for such day (or, if such day is not a Business Day, for the immediately preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by the Agent in its sole discretion.

"First Mortgage Bonds" means bonds issued by the Company pursuant to the Indenture.

"Fitch" means Fitch, Inc. or any successor thereto.

"Floating Rate" means a rate per annum equal to (i) the Alternate Base Rate plus (ii) the Applicable Margin, changing when and as the Alternate Base Rate or the Applicable Margin changes.

"Floating Rate Advance" means an Advance consisting of Floating Rate Loans.

"Floating Rate Loan" means a Loan which bears interest at the Floating Rate.

"FRB" means the Board of Governors of the Federal Reserve System or any successor thereto.

"GAAP" means generally accepted accounting principles in the United States of America as in effect on the date hereof, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 5.5 (except, for purposes of the financial statements required to be delivered pursuant to Sections 6.7(b) and (c), for changes concurred in by the Company's independent public accountants).

"Hybrid Preferred Securities" means any preferred securities issued by a Hybrid Preferred Securities Subsidiary, where such preferred securities have the following characteristics:

(i) such Hybrid Preferred Securities Subsidiary lends substantially all of the proceeds from the issuance of such preferred securities to the Company or a wholly-owned direct or indirect Subsidiary of the Company in exchange for Junior Subordinated Debt issued by the Company or such wholly-owned direct or indirect Subsidiary, respectively;

(ii) such preferred securities contain terms providing for the deferral of interest payments corresponding to provisions providing for the deferral of interest payments on the Junior Subordinated Debt; and

(iii) the Company or a wholly-owned direct or indirect Subsidiary of the Company (as the case may be) makes periodic interest payments on the Junior Subordinated Debt, which interest payments are in turn used by the Hybrid Preferred Securities Subsidiary to make corresponding payments to the holders of the preferred securities.

"Hybrid Preferred Securities Subsidiary" means any Delaware business trust (or similar entity) (i) all of the common equity interest of which is owned (either directly or indirectly through one or more wholly-owned Subsidiaries of the Company) at all times by the Company or a wholly-owned direct or indirect Subsidiary of the Company, (ii) that has been formed for the purpose of issuing Hybrid Preferred Securities and (iii) substantially all of the assets of which consist at all times solely of Junior Subordinated Debt issued by the Company or a wholly-owned direct or indirect Subsidiary of the Company (as the case may be) and payments made from time to time on such Junior Subordinated Debt.

"Indenture" means the Indenture, dated as of September 1, 1945, as supplemented and amended from time to time, from the Company to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as successor Trustee.

"Initial Borrowing Date" means March 27, 2003.

"Interest Bearing Bonds" means a series of interest-bearing First Mortgage Bonds created under the Supplemental Indenture issued in favor of, and in form and substance satisfactory to, the Agent.

"Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six months, or such shorter period agreed to by the Company and the Banks, commencing on a Business Day selected by the Company pursuant to this Agreement. Such Interest Period shall end on the day which corresponds numerically to such date one, two, three or six months thereafter (or such shorter period agreed to by the Company and the Banks), provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month (or such shorter period, as applicable), such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month (or such shorter period, as applicable). If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day. The Company may not select any Interest Period that ends after the scheduled Termination Date.

"Junior Subordinated Debt" means any unsecured Debt of the Company or a Subsidiary of the Company (i) issued in exchange for the proceeds of Hybrid Preferred Securities and (ii) subordinated to the rights of the Banks hereunder and under the other Credit Documents pursuant to terms of subordination substantially similar to those set forth in Exhibit E, or pursuant to other terms and conditions satisfactory to the Majority Banks.

"LC Fee" - see Section 3.4.

"LC Issuer" means Bank One (or any subsidiary or affiliate of Bank One designated by Bank One) in its capacity as issuer of Facility LCs hereunder.

"LC Obligations" means, at any time, the sum, without duplication, of (i) the aggregate undrawn stated amount under all Facility LCs outstanding at such time plus (ii) the aggregate unpaid amount at such time of all Reimbursement Obligations.

"LC Payment Date" - see Section 3.5.

"Lending Installation" means any office, branch, subsidiary or affiliate of a Bank.

"Lien" means any lien (statutory or otherwise), security interest, mortgage, deed of trust, priority, pledge, charge, conditional sale, title retention agreement, financing lease or other encumbrance or similar right of others, or any agreement to give any of the foregoing.

"Loan" - see Section 2.1.

"Majority Banks" means, as of any date of determination, Banks in the aggregate having more than 50% of the Aggregate Commitment as of such date or, if the Aggregate Commitment has been terminated, Banks in the aggregate holding more than 50% of the aggregate unpaid principal amount of the Aggregate Outstanding Credit Exposure as of such date.

"Modify" and "Modification" - see Section 3.1.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA.

"Net Proceeds" means, with respect to any sale or issuance of securities or incurrence of Debt by any Person, the excess of (i) the gross cash proceeds received by or on behalf of such Person in respect of such sale, issuance or incurrence (as the case may be) over (ii) customary underwriting commissions, auditing and legal fees, printing costs, rating agency fees and other customary and reasonable fees and expenses incurred by such Person in connection therewith.

"Net Worth" means, with respect to any Person, the excess of such Person's total assets over its total liabilities, total assets and total liabilities each to be determined in accordance with GAAP consistently applied, excluding, however, from the determination of total assets (i) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, (ii) cash held in a sinking or other analogous fund established for the purpose of redemption, retirement or prepayment of capital stock or Debt, and (iii) any items not included in clauses (i) or (ii) above, that are treated as intangibles in conformity with GAAP.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Loans, all Reimbursement Obligations, all accrued and unpaid commitment fees and all other obligations of the Company to the Banks or to any Bank, the LC Issuer or the Agent arising under the Credit Documents.

"Off-Balance Sheet Liability" of a Person means (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability under any sale and leaseback transaction which is not a Capital Lease, (iii) any liability under any so-called "synthetic lease" transaction entered into by such Person, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from this clause (iv) Operating Leases.

"Operating Lease" of a Person means any lease of Property (other than a Capital Lease) by such Person as lessee.

"Other Taxes" - see Section 4.5(b).

"Outstanding Credit Exposure" means, as to any Bank at any time, the sum of (i) the aggregate principal amount of its Loans outstanding at such time, plus (ii) an amount equal to its Pro Rata Share of the LC Obligations at such time.

"Payment Date" means the second Business Day of each calendar quarter occurring after the Initial Borrowing Date.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

"Plan" means any employee benefit plan (other than a Multiemployer Plan) maintained for employees of the Company or any ERISA Affiliate and covered by Title IV of ERISA.

"Pricing Schedule" means the Schedule attached hereto identified as such.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by Bank One or its parent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

"Prior Agreement" means the 364-Day Credit Agreement dated as of July 12, 2002 among the Company, various financial institutions and Bank One, NA, as Agent.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Pro Rata Share" means, with respect to a Bank, a portion equal to a fraction the numerator of which is such Bank's Commitment and the denominator of which is the Aggregate Commitment.

"Regulation D" means Regulation D of the FRB from time to time in effect and shall include any successor or other regulation or official interpretation of said FRB relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the FRB from time to time in effect and shall include any successor or other regulation or official interpretation of said FRB relating to the extension of credit by banks, non-banks and non-broker-dealers for the purpose of purchasing or carrying margin stocks.

"Reimbursement Obligations" means, at any time, the aggregate of all obligations of the Company then outstanding under Article III to reimburse the LC Issuer for amounts paid by the LC Issuer in respect of any one or more drawings under Facility LCs.

"Reportable Event" has the meaning assigned to that term in Title IV of ERISA.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"S&P" means Standard and Poor's Rating Services, a division of The McGraw Hill Companies, Inc. or any successor thereto.

"SEC" means the Securities and Exchange Commission or any governmental authority which may be substituted therefor.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Securitized Bonds" shall mean any nonrecourse bonds or similar asset-backed securities issued by a special-purpose Subsidiary of the Company which are payable solely from specialized charges authorized by the utility commission of the relevant state in connection with the recovery of (x) stranded regulatory costs, (y) stranded clean air and pension costs and (z) other "Qualified Costs" (as defined in M.C.L. Section 460.10h(g)) authorized to be securitized by the Michigan Public Service Commission.

"Senior Debt" means the First Mortgage Bonds.

"Single Employer Plan" means a Plan maintained by the Company or any ERISA Affiliate for employees of the Company or any ERISA Affiliate.

"Subsidiary" means, as to any Person, any corporation or other entity of which at least a majority of the securities or other ownership interests having ordinary voting power (absolutely or contingently) for the election of directors or other Persons performing similar functions are at the time owned directly or indirectly by such Person.

"Supplemental Indenture" means a supplemental indenture substantially in the form of Exhibit A.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes and Other Taxes.

"Termination Date" means the earlier of (i) March 26, 2004, or such later date to which the Termination Date may be extended pursuant to Section 2.2(b), or (ii) the date on which the Commitments are terminated.

"Termination Event" means (a) a Reportable Event described in Section 4043 of ERISA and the regulations issued thereunder (other than a Reportable Event not subject to the provision for 30-day notice to the PBGC under such regulations), or (b) the withdrawal of the Company or any of its ERISA Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001 (a) (2) of ERISA, or (c) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate a Plan by the PBGC or to appoint a trustee to administer any Plan.

"Total Consolidated Capitalization" means, at any date of determination, the sum of (a) Total Consolidated Debt, (b) equity of the common stockholders of the Company, (c) equity of

the preference stockholders of the Company and (d) equity of the preferred stockholders of the Company, in each case determined at such date.

"Total Consolidated Debt" means, at any date of determination, the aggregate Debt of the Company and its Consolidated Subsidiaries; provided that Total Consolidated Debt shall exclude (i) the principal amount of any Securitized Bonds, (ii) any Junior Subordinated Debt owned by any Hybrid Preferred Securities Subsidiary, (iii) any guaranty by the Company of payments with respect to any Hybrid Preferred Securities, provided that such guaranty is subordinated to the rights of the Banks hereunder and under the other Credit Documents pursuant to terms of subordination substantially similar to those set forth in Exhibit F, or pursuant to other terms and conditions satisfactory to the Majority Banks, (iv) such percentage of the Net Proceeds from any issuance of hybrid debt/equity securities (other than Junior Subordinated Debt and Hybrid Preferred Securities) by the Company or any Consolidated Subsidiary as shall be agreed to be deemed equity by the Agent and the Company prior to the issuance thereof (which determination shall be based on, among other things, the treatment (if any) given to such securities by the applicable rating agencies).

"Type" - see Section 2.4.

"Unfunded Vested Liabilities" means, (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, and (ii) in the case of Multiemployer Plans, the withdrawal liability of the Company and its ERISA Affiliates.

"Unused Commitment" means, at any time, the Aggregate Commitment then in effect minus the Aggregate Outstanding Credit Exposure at such time.

"Zero Rate Bonds" means a series of zero coupon First Mortgage Bonds created under the Supplemental Indenture issued in favor of, and in form and substance satisfactory to, the Agent.

1.2 Singular and Plural. The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

1.3 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. If any changes in generally accepted accounting principles are hereafter required or permitted and are adopted by the Company or any of its Subsidiaries, or the Company or any of its Subsidiaries shall change its application of generally accepted accounting principles with respect to any Off-Balance Sheet Liabilities, in each case with the agreement of its independent certified public accountants, and such changes result in a change in the method of calculation of any of the financial covenants, tests, restrictions or standards herein or in the related definitions or terms used therein ("Accounting Changes"), the parties hereto agree, at the Company's request, to enter into negotiations, in good faith, in order to amend such provisions in a credit neutral manner so as to reflect equitably such changes with the desired result that the criteria for evaluating the Company's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; provided, however, until

such provisions are amended in a manner reasonably satisfactory to the Agent, the Arranger and the Majority Banks, no Accounting Change shall be given effect in such calculations. In the event such amendment is entered into, all references in this Agreement to GAAP shall mean generally accepted accounting principles as of the date of such amendment.

ARTICLE II
THE ADVANCES

2.1 Commitment. From and including the Initial Borrowing Date and prior to the Termination Date, each Bank severally agrees, on the terms and conditions set forth in this Agreement, (a) to make loans to the Company from time to time (the "Loans"), and (b) to participate in Facility LCs issued upon the request of the Company from time to time, provided, that, after giving effect to the making of each such Loan and the issuance of each such Facility LC, such Bank's Outstanding Credit Exposure shall not exceed its Commitment. In no event may the Aggregate Outstanding Credit Exposure exceed the Available Commitment. Subject to the terms and conditions of this Agreement, the Company may borrow, repay and reborrow at any time prior to the Termination Date. The Commitments shall expire on the Termination Date.

2.2 Required Payments; Termination; Extension of Termination Date.

(a) The Aggregate Outstanding Credit Exposure and all other unpaid obligations of the Company hereunder shall be paid in full on the Termination Date.

(b) Unless the Company gives notice to the Agent (which shall promptly notify each Bank) not more than 30 nor less than 15 days prior to the then-scheduled Termination Date that the Company does not want an extension of the Termination Date pursuant to this Section 2.2, the scheduled Termination Date shall be automatically extended to (i) in the case of an extension during 2004, March 25, 2005 and (ii) in the case of an extension during 2005, March 24, 2006. The scheduled Termination Date may not be extended past March 24, 2006 (pursuant to this Section 2.2 or any other provision of this Agreement) without the prior written consent of all Banks.

2.3 Ratable Loans. Each Advance shall consist of Loans made by the several Banks ratably according to their Pro Rata Shares.

2.4 Types of Advances. The Advances may be Floating Rate Advances or Eurodollar Advances (each a "Type" of Advance), or a combination thereof, as selected by the Company in accordance with Sections 2.8 and 2.9.

2.5 Commitment Fee and Reductions of Commitment.

(a) The Company agrees to pay to the Agent for the account of each Bank according to its Pro Rata Share a commitment fee (the "Commitment Fee") at the Commitment Fee Rate on the daily Unused Commitment from the Initial Borrowing Date to but not including the date on which this Agreement is terminated in full and all of the Obligations hereunder have been paid in full. The Commitment Fee shall be payable quarterly in arrears on each Payment Date (for the quarter then most recently ended) and on the Termination Date (for the period then ended for

which such fee has not previously been paid). The Commitment Fee shall be calculated for actual days elapsed on the basis of a 360 day year.

(b) The Company may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Banks in the minimum amount of $10,000,000 (and in multiples of $1,000,000 if in excess thereof), upon at least five Business Days' written notice to the Agent, which shall specify the amount of any such reduction, provided that the Aggregate Commitment may not be reduced below the Aggregate Outstanding Credit Exposure. All accrued Commitment Fees shall be payable on the effective date of any termination of the obligation of the Banks to make Credit Extensions hereunder. Upon any permanent reduction in the Aggregate Commitment pursuant to the terms of this Section 2.5(b), the Agent shall, upon request of the Company, promptly surrender to or upon the order of the Company one or more Bonds specified by the Company; provided that (i) the Company remains in compliance with Section 6.10; and (ii) the Agent shall not be required to surrender any Interest Bearing Bonds so long as any Zero Rate Bonds remain outstanding.

2.6 Minimum Amount of Advances. Each Advance shall be in the minimum amount of $10,000,000 (and in integral multiples of $1,000,000 if in excess thereof), provided that any Floating Rate Advance may be in the amount of the Available Aggregate Commitment (rounded down, if necessary, to an integral multiple of $1,000,000).

2.7 Optional Principal Payments. The Company may from time to time prepay, without penalty or premium, all outstanding Floating Rate Advances or, in a minimum aggregate amount of $10,000,000 or a higher integral multiple of $1,000,000, any portion of the outstanding Floating Rate Advances upon one Business Day's prior notice to the Agent. The Company may from time to time pay, subject to the payment of any funding indemnification amounts required by Section 4.4 but without penalty or premium, all outstanding Eurodollar Advances or, in a minimum aggregate amount of $10,000,000 or a higher integral multiple of $1,000,000, any portion of any outstanding Eurodollar Advance upon three Business Days' prior notice to the Agent; provided that if after giving effect to any such prepayment the principal amount of any Eurodollar Advance is less than $10,000,000, such Eurodollar Advance shall automatically convert into a Floating Rate Advance. All payments made pursuant to this Section 2.7 shall be deemed to be payments of Obligations evidenced by Zero Rate Bonds (except to the extent such payment results in the Aggregate Outstanding Credit Exposure being less than the face amount of all Interest Bearing Bonds).

2.8 Method of Selecting Types and Interest Periods for New Advances. The Company shall select the Type of Advance and, in the case of each Eurodollar Advance, the Interest Period applicable thereto from time to time. The Company shall give the Agent irrevocable notice (a "Borrowing Notice") not later than 11:00 a.m. (Chicago time) on the Borrowing Date of each Floating Rate Advance and not later than 11:00 a.m. (Chicago time) three Business Days before the Borrowing Date for each Eurodollar Advance, specifying:

(i) the Borrowing Date, which shall be a Business Day,

(ii) the aggregate amount of such Advance,

(iii) the Type of Advance selected, and

(iv) in the case of each Eurodollar Advance, the initial Interest Period applicable thereto.

Promptly after receipt thereof, the Agent will notify each Bank of the contents of each Borrowing Notice. Not later than noon (Chicago time) on each Borrowing Date, each Bank shall make available its Loan in funds immediately available in Chicago to the Agent at its address specified pursuant to Section 14. To the extent funds are received from the Banks, the Agent will make such funds available to the Company at the Agent's aforesaid address. No Bank's obligation to make any Loan shall be affected by any other Bank's failure to make any Loan.

2.9 Conversion and Continuation of Outstanding Advances. Floating Rate Advances shall continue as Floating Rate Advances unless and until such Floating Rate Advances are converted into Eurodollar Advances pursuant to this Section 2.9 or are repaid in accordance with Section 2.2 or 2.7. Each Eurodollar Advance shall continue as a Eurodollar Advance until the end of the then applicable Interest Period therefor, at which time such Eurodollar Advance shall be automatically converted into a Floating Rate Advance unless (x) such Eurodollar Advance is or was repaid in accordance with Section 2.2 or 2.7 or (y) the Company shall have given the Agent a Conversion/Continuation Notice (as defined below) requesting that, at the end of such Interest Period, such Eurodollar Advance continue as a Eurodollar Advance for the same or another Interest Period. Subject to the terms of Section 2.6, the Company may elect from time to time to convert all or any part of a Floating Rate Advance into a Eurodollar Advance. The Company shall give the Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Floating Rate Advance into a Eurodollar Advance or continuation of a Eurodollar Advance not later than 11:00 a.m. (Chicago time) at least three Business Days prior to the date of the requested conversion or continuation, specifying:

(i) the requested date, which shall be a Business Day, of such conversion or continuation;

(ii) the aggregate amount and Type of the Advance which is to be converted or continued; and

(iii) the amount of the Advance which is to be converted into or continued as a Eurodollar Advance and the duration of the Interest Period applicable thereto.

provided that no Advance may be continued as, or converted into, a Eurodollar Advance if (x) such continuation or conversion would violate any provision of this Agreement or (y) a Default or Event of Default exists.

2.10 Interest Rates, Interest Payment Dates. (a)Subject to Section 2.11, each Advance shall bear interest as follows:

(i) at any time such Advance is a Floating Rate Advance, at a rate per annum equal to the Floating Rate from time to time in effect; and

(ii) at any time such Advance is a Eurodollar Advance, at a rate per annum equal to the Eurodollar Rate for each applicable Interest Period therein.

Changes in the rate of interest on that portion or any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Floating Rate.

(b) Interest accrued on each Floating Rate Advance shall be payable on each Payment Date and at maturity. Interest accrued on each Eurodollar Advance shall be payable on the last day of its applicable Interest Period, on any date on which such Eurodollar Advance is prepaid and at maturity. Interest accrued on each Eurodollar Advance having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest on Eurodollar Advances, interest on Floating Rate Advances based on the Federal Funds Effective Rate and the LC Fee shall be calculated for actual days elapsed on the basis of a 360-day year. Interest on Floating Rate Advances based on the Prime Rate shall be calculated for actual days elapsed on the basis of a 365- or 366-day year, as appropriate. Interest on each Advance shall accrue from and including the date such Advance is made to but excluding the date payment thereof is received in accordance with Section 2.12. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day (unless, in the case of a Eurodollar Advance, such next succeeding Business Day falls in a new calendar month, in which case such payment shall be due on the immediately preceding Business Day) and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.11 Rate after Maturity. Any Advance not paid by the Company at maturity, whether by acceleration or otherwise, shall bear interest until paid in full at a rate per annum equal to the higher of the rate otherwise applicable thereto plus 1% or the Floating Rate plus 1%.

2.12 Method of Payment. All payments of principal, interest and fees hereunder shall be made in immediately available funds to the Agent at its address specified on its signature page to this Agreement (or at any other Lending Installation of the Agent specified in writing by the Agent to the Company) not later than noon (Chicago time) on the date when due and shall (except in the case of Reimbursement Obligations for which the LC Issuer has not been fully indemnified by the Banks, or as otherwise specifically required hereunder) be applied ratably by the Agent among the Banks. Funds received after such time shall be deemed received on the following Business Day unless the Agent shall have received from, or on behalf of, the Company a Federal Reserve reference number with respect to such payment before 3:00 p.m. (Chicago time) on the date of such payment. Each payment delivered to the Agent for the account of any Bank shall be delivered promptly by the Agent in the same type of funds received by the Agent to such Bank at the address specified for such Bank on its signature page to this Agreement or at any Lending Installation specified in a notice received by the Agent from such Bank. The Agent is hereby authorized to charge the account of the Company maintained with Bank One, if any, for each payment of principal, interest, Reimbursement Obligation and fees as such payment becomes due hereunder. Each reference to the Agent in this Section 2.12 shall also be deemed to refer, and shall apply equally, to the LC Issuer, in the case of payments required to be made by the Company to the LC Issuer pursuant to Section 3.6.

2.13 Bonds; Record-keeping; Telephonic Notices.

(a) The obligation of the Company to repay the Obligations shall be evidenced by one or more Bonds.

(b) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Company to such Bank resulting from each Loan made by such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder.

(c) The Agent shall also maintain accounts in which it will record (i) the amount of each Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Company to each Bank hereunder, (iii) the original stated amount of each Facility LC and the amount of LC Obligations outstanding at any time, and (iv) the amount of any sum received by the Agent hereunder from the Company and each Bank's share thereof.

(d) The entries maintained in the accounts maintained pursuant to paragraphs (b) and (c) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Agent or any Bank to maintain such accounts or any error therein shall not in any manner affect the obligation of the Company to repay the Obligations in accordance with their terms.

(e) The Company hereby authorizes the Banks and the Agent to make Advances based on telephonic notices made by any person or persons the Agent or any Bank in good faith believes to be acting on behalf of the Company. The Company agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by a Designated Officer. If the written confirmation differs in any material respect from the action taken by the Agent and the Banks, the records of the Agent and the Banks shall govern absent manifest error.

2.14 Lending Installations. Subject to the provisions of Section 4.6, each Bank may book its Loans and its participation in any LC Obligations and the LC Issuer may book the Facility LCs at any Lending Installation selected by such Bank or the LC Issuer, as the case may be, and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Loans shall be deemed held by the applicable Bank for the benefit of such Lending Installation. Each Bank may, by written or facsimile notice to the Company, designate a Lending Installation through which Loans will be made by it or Facility LC's will be issued by it and for whose account payments on the Loans or payments with respect to Facility LCs are to be made.

2.15 Non-Receipt of Funds by the Agent. Unless a Bank or the Company, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Bank, the proceeds of a Loan or (ii) in the case of the Company, a payment of principal, interest or fees to the Agent for the account of the Banks, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Bank or the Company, as the case

may be, has not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Bank, the Federal Funds Rate for such day or (ii) in the case of payment by the Company, the interest rate applicable to the relevant Loan.

ARTICLE III
LETTER OF CREDIT FACILITY

3.1 Issuance. The LC Issuer hereby agrees, on the terms and conditions set forth in this Agreement, to issue standby and commercial letters of credit (each, a "Facility LC") and to renew, extend, increase, decrease or otherwise modify each Facility LC ("Modify," and each such action a "Modification"), from time to time from and including the date hereof and prior to the Termination Date upon the request of the Company; provided that immediately after each such Facility LC is issued or Modified, (i) the aggregate amount of the outstanding LC Obligations shall not exceed $100,000,000 and (ii) the Aggregate Outstanding Credit Exposure shall not exceed the Available Commitment. No Facility LC shall have an expiry date later than the fifth Business Day prior to the scheduled Termination Date.

3.2 Participations. Upon the issuance or Modification by the LC Issuer of a Facility LC in accordance with this Article III, the LC Issuer shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably sold to each Bank, and each Bank shall be deemed, without further action by any party hereto, to have unconditionally and irrevocably purchased from the LC Issuer, a participation in such Facility LC (and each Modification thereof) and the related LC Obligations in proportion to its Pro Rata Share.

3.3 Notice. Subject to Section 3.1, the Company shall give the LC Issuer notice prior to 11:00 a.m. (Chicago time) at least three Business Days prior to the proposed date of issuance or Modification of each Facility LC, specifying the beneficiary, the proposed date of issuance (or Modification) and the expiry date of such Facility LC, and describing the proposed terms of such Facility LC and the nature of the transactions proposed to be supported thereby. Upon receipt of such notice, the LC Issuer shall promptly notify the Agent, and the Agent shall promptly notify each Bank, of the contents thereof and of the amount of such Bank's participation in such proposed Facility LC. The issuance or Modification by the LC Issuer of any Facility LC shall, in addition to the conditions precedent set forth in Article XI (the satisfaction of which the LC Issuer shall have no duty to ascertain), be subject to the conditions precedent that such Facility LC shall be satisfactory to the LC Issuer and that the Company shall have executed and delivered such application agreement and/or such other instruments and agreements relating to such Facility LC as the LC Issuer shall have reasonably requested (each, a "Facility LC Application"). In the event of any conflict between the terms of this Agreement and the terms of any Facility LC Application, the terms of this Agreement shall control.

3.4 LC Fees. The Company shall pay to the Agent, for the account of the Banks ratably in accordance with their respective Pro Rata Shares, a letter of credit fee (the "LC Fee") at a per annum rate equal to the Applicable Margin for Eurodollar Rate Loans in effect from time to time on the average daily undrawn stated amount under each Facility LC, such fee to be

payable in arrears on each Payment Date and the Termination Date (and, if applicable, thereafter on demand). The Company shall also pay to the LC Issuer for its own account (x) at the time of issuance of each Facility LC, a fronting fee in an amount equal to 0.15% of the initial stated amount (or, with respect to a Modification of any such Facility LC which increases the stated amount thereof, such increase in the stated amount) thereof, and (y) documentary and processing charges in connection with the issuance or Modification of and draws under Facility LCs in accordance with the LC Issuer's standard schedule for such charges as in effect from time to time.

3.5 Administration; Reimbursement by Banks. Upon receipt from the beneficiary of any Facility LC of any demand for payment under such Facility LC, the LC Issuer shall notify the Agent and the Agent shall promptly notify the Company and each other Bank as to the amount to be paid by the LC Issuer as a result of such demand and the proposed payment date (the "LC Payment Date"). The responsibility of the LC Issuer to the Company and each Bank shall be only to determine that the documents (including each demand for payment) delivered under each Facility LC in connection with such presentment shall be in conformity in all material respects with such Facility LC. The LC Issuer shall endeavor to exercise the same care in the issuance and administration of the Facility LCs as it does with respect to letters of credit in which no participations are granted, it being understood that in the absence of any gross negligence or willful misconduct by the LC Issuer, each Bank shall be unconditionally and irrevocably liable without regard to the occurrence of any Default or any condition precedent whatsoever, to reimburse the LC Issuer on demand for (i) such Bank's Pro Rata Share of the amount of each payment made by the LC Issuer under each Facility LC to the extent such amount is not reimbursed by the Company pursuant to Section 3.6 below, plus (ii) interest on the foregoing amount to be reimbursed by such Bank, for each day from the date of the LC Issuer's demand for such Reimbursement (or, if such demand is made after 11:00 a.m. (Chicago time) on such date, from the next succeeding Business Day) to the date on which such Bank pays the amount to be reimbursed by it, at a rate of interest per annum equal to the Federal Funds Effective Rate for the first three days and, thereafter, at a rate of interest equal to the rate applicable to Floating Rate Advances.

3.6 Reimbursement by Company. The Company shall be irrevocably and unconditionally obligated to reimburse the LC Issuer on the applicable LC Payment Date for any amounts to be paid by the LC Issuer upon any drawing under any Facility LC, without presentment, demand, protest or other formalities of any kind; provided that neither the Company nor any Bank shall hereby be precluded from asserting any claim for direct (but not consequential) damages suffered by the Company or such Bank to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC issued by it complied with the terms of such Facility LC or (ii) the LC Issuer's failure to pay under any Facility LC issued by it after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. All such amounts paid by the LC Issuer and remaining unpaid by the Company shall bear interest, payable on demand, for each day until paid at a rate per annum equal to (x) the rate applicable to Floating Rate Advances for such day if such day falls on or before the applicable LC Payment Date and (y) the sum of 1% plus the rate applicable to Floating Rate Advances for such day if such day falls after such LC Payment Date. The LC Issuer will pay to each Bank ratably in accordance with its Pro Rata Share all amounts received by it from the Company for

application in payment, in whole or in part, of the Reimbursement Obligation in respect of any Facility LC issued by the LC Issuer, but only to the extent such Bank has made payment to the LC Issuer in respect of such Facility LC pursuant to Section 3.5. Subject to the terms and conditions of this Agreement (including without limitation the submission of a Borrowing Notice in compliance with Section 2.8 and the satisfaction of the applicable conditions precedent set forth in Article XI), the Company may request an Advance hereunder for the purpose of satisfying any Reimbursement Obligation.

3.7 Obligations Absolute. The Company's obligations under this Article III shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Company may have or have had against the LC Issuer, any Bank or any beneficiary of a Facility LC. The Company further agrees with the LC Issuer and the Banks that the LC Issuer and the Banks shall not be responsible for, and the Company's Reimbursement Obligation in respect of any Facility LC shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, fraudulent or forged, or any dispute between or among the Company, any of its affiliates, the beneficiary of any Facility LC or any financing institution or other party to whom any Facility LC may be transferred or any claims or defenses whatsoever of the Company or of any of its affiliates against the beneficiary of any Facility LC or any such transferee. The LC Issuer shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Facility LC. The Company agrees that any action taken or omitted by the LC Issuer or any Bank under or in connection with each Facility LC and the related drafts and documents, if done without gross negligence or willful misconduct, shall be binding upon the Company and shall not put the LC Issuer or any Bank under any liability to the Company. Nothing in this Section 3.7 is intended to limit the right of the Company to make a claim against the LC Issuer for damages as contemplated by the proviso to the first sentence of Section 3.6.

3.8 Actions of LC Issuer. The LC Issuer shall be entitled to rely, and shall be fully protected in relying, upon any Facility LC, draft, writing, resolution, notice, consent, certificate, affidavit, letter, cablegram, telegram, telecopy, telex or teletype message, statement, order or other document believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon advice and statements of legal counsel, independent accountants and other experts selected by the LC Issuer. The LC Issuer shall be fully justified in failing or refusing to take any action under this Agreement unless it shall first have received such advice or concurrence of the Majority Banks as it reasonably deems appropriate or it shall first be indemnified to its reasonable satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Notwithstanding any other provision of this Article III, the LC Issuer shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Majority Banks, and such request and any action taken or failure to act pursuant thereto shall be binding upon the Banks and any future holders of a participation in any Facility LC.

3.9 Indemnification. The Company hereby agrees to indemnify and hold harmless each Bank, the LC Issuer and the Agent, and their respective directors, officers, agents and

employees from and against any and all claims and damages, losses, liabilities, reasonable costs or expenses which such Bank, the LC Issuer or the Agent may incur (or which may be claimed against such Bank, the LC Issuer or the Agent by any Person whatsoever) by reason of or in connection with the issuance, execution and delivery or transfer of or payment or failure to pay under any Facility LC or any actual or proposed use of any Facility LC, including, without limitation, any claims, damages, losses, liabilities, costs or expenses which the LC Issuer may incur by reason of or in connection with (i) the failure of any other Bank to fulfill or comply with its obligations to the LC Issuer hereunder (but nothing herein contained shall affect any rights the Company may have against any defaulting Bank) or (ii) by reason of or on account of the LC Issuer issuing any Facility LC which specifies that the term "Beneficiary" included therein includes any successor by operation of law of the named Beneficiary, but which Facility LC does not require that any drawing by any such successor Beneficiary be accompanied by a copy of a legal document, satisfactory to the LC Issuer, evidencing the appointment of such successor Beneficiary; provided that the Company shall not be required to indemnify any Bank, the LC Issuer or the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) the willful misconduct or gross negligence of the LC Issuer in determining whether a request presented under any Facility LC complied with the terms of such Facility LC or (y) the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of such Facility LC. Nothing in this Section 3.9 is intended to limit the obligations of the Company under any other provision of this Agreement.

3.10 Banks' Indemnification. Each Bank shall, ratably in accordance with its Pro Rata Share, indemnify the LC Issuer, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Company) against any cost, expense (including reasonable counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct or the LC Issuer's failure to pay under any Facility LC after the presentation to it of a request strictly complying with the terms and conditions of the Facility LC) that such indemnitees may suffer or incur in connection with this Article III or any action taken or omitted by such indemnitees hereunder.

3.11 Rights as a Bank. In its capacity as a Bank, the LC Issuer shall have the same rights and obligations as any other Bank.

ARTICLE IV
CHANGE IN CIRCUMSTANCES

4.1 Yield Protection. (a)If any change in law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof by any agency or authority having jurisdiction over any Bank or the LC Issuer,

(i) subjects any Bank or any applicable Lending Installation or the LC Issuer to any increased tax, duty, charge or withholding on or from payments due from the Company (excluding taxation measured by or attributable to the overall net income of such Bank or applicable Lending Installation, whether overall or in any geographic area), or changes the rate of taxation of payments to any Bank or LC Issuer in respect of its

Credit Extensions (including any participations in Facility LCs) or other amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Bank, the LC Issuer or any applicable Lending Installation (including, without limitation, any reserve costs under Regulation D with respect to Eurocurrency liabilities (as defined in Regulation D)), or

(iii) imposes any other condition the result of which is to increase the cost to any Bank, the LC Issuer or any applicable Lending Installation of making, funding or maintaining Credit Extensions (including any participations in Facility LCs), or reduces any amount receivable by any Bank, the LC Issuer or any applicable Lending Installation in connection with Credit Extensions (including any participations in Facility LCs) or requires any Bank, the LC Issuer or any applicable Lending Installation to make any payment calculated by reference to its Outstanding Credit Exposure or interest received by it, by an amount deemed material by such Bank or the LC Issuer, or

(iv) affects the amount of capital required or expected to be maintained by any Bank, the LC Issuer or Lending Installation or any corporation controlling any Bank or LC Issuer and such Bank or the LC Issuer, as applicable, determines the amount of capital required is increased by or based upon the existence of this Agreement or its obligation to make Credit Extensions (including any participations in Facility LCs) hereunder or of commitments of this type,

then, upon presentation by such Bank or the LC Issuer to the Company of a certificate (as referred to in the immediately succeeding sentence of this Section 4.1) setting forth the basis for such determination and the additional amounts reasonably determined by such Bank or the LC Issuer for the period of up to 90 days prior to the date on which such certificate is delivered to the Company and the Agent, to be sufficient to compensate such Bank or the LC Issuer, as applicable, in light of such circumstances, the Company shall within 30 days of such delivery of such certificate pay to the Agent for the account of such Bank or the LC Issuer, as applicable, the specified amounts set forth on such certificate. The affected Bank or the LC Issuer, as applicable, shall deliver to the Company and the Agent a certificate setting forth the basis of the claim and specifying in reasonable detail the calculation of such increased expense, which certificate shall be prima facie evidence as to such increase and such amounts. An affected Bank or the LC Issuer, as applicable, may deliver more than one certificate to the Company during the term of this Agreement. In making the determinations contemplated by the above-referenced certificate, any Bank and the LC Issuer may make such reasonable estimates, assumptions, allocations and the like that such Bank or the LC Issuer, as applicable, in good faith determines to be appropriate, and such Bank's or the LC Issuer's selection thereof in accordance with this Section 4.1 shall be conclusive and binding on the Company, absent manifest error.

(b) Neither the LC Issuer nor any Bank shall be entitled to demand compensation or be compensated hereunder to the extent that such compensation relates to any period of time more than 90 days prior to the date upon which such Bank or the LC Issuer, as applicable, first notified the Company of the occurrence of the event entitling such Bank or the LC Issuer, as

applicable, to such compensation (unless, and to the extent, that any such compensation so demanded shall relate to the retroactive application of any event so notified to the Company).

4.2 Replacement Bank. (a)If any Bank shall make a demand for payment under Section 4.1, then within 30 days after such demand, the Company may, with the approval of the Agent (which approval shall not be unreasonably withheld) and provided that no Default or Event of Default shall then have occurred and be continuing, demand that such Bank assign to one or more financial institutions designated by the Company and approved by the Agent all (but not less than all) of such Bank's Commitment and Outstanding Credit Exposure within the period ending on the later of such 30th day and the last day of the longest of the then current Interest Periods or maturity dates for such Outstanding Credit Exposure. It is understood that such assignment shall be consummated on terms satisfactory to the assigning Bank, provided that such Bank's consent to such an assignment shall not be unreasonably withheld.

(b) If the Company shall elect to replace a Bank pursuant to clause (a) above, the Company shall prepay the Outstanding Credit Exposure of such Bank, and the bank or banks selected by the Company shall replace such Bank as a Bank hereunder pursuant to an instrument satisfactory to the Company, the Agent and the Bank being replaced by making Credit Extensions to the Company in the amount of the Outstanding Credit Exposure of such assigning Bank and assuming all the same rights and responsibilities hereunder as such assigning Bank and having the same Commitment as such assigning Bank.

4.3 Availability of Eurodollar Rate Loans. If

(a) any Bank determines that maintenance of a Eurodollar Rate Loan at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, or

(b) the Majority Banks determine that (i) deposits of a type and maturity appropriate to match fund Eurodollar Rate Loans are not available or (ii) the Base Eurodollar Rate does not accurately reflect the cost of making or maintaining a Eurodollar Rate Loan,

then the Agent shall suspend the availability of Eurodollar Rate Loans and, in the case of clause (a), require any Eurodollar Rate Loans to be converted to Floating Rate Loans on such date as is required by the applicable law, rule, regulation or directive.

4.4 Funding Indemnification. If any payment of a Eurodollar Rate Loan occurs on a date which is not the last day of an applicable Interest Period, whether because of prepayment or otherwise, or a Eurodollar Rate Loan is not made on the date specified by the Company for any reason other than default by the Banks, the Company will indemnify each Bank for any loss or cost (but not lost profits) incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Rate Loan; provided that the Company shall not be liable for any of the foregoing to the extent they arise because of acceleration by any Bank.

4.5 Taxes.

(a) All payments by the Company to or for the account of any Bank, the LC Issuer or the Agent hereunder or under any Bond or Facility LC Application shall be made free and clear of and without deduction for any and all Taxes. If the Company shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Bank, the LC Issuer or the Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.5) such Bank, the LC Issuer or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions, (iii) the Company shall pay the full amount deducted to the relevant authority in accordance with applicable law and (iv) the Company shall furnish to the Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

(b) In addition, the Company hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Bond or Facility LC Application or from the execution or delivery of, or otherwise with respect to, this Agreement or any Bond or Facility LC Application ("Other Taxes").

(c) The Company hereby agrees to indemnify the Agent, the LC Issuer and each Bank for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Agent, the LC Issuer or such Bank and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Agent, the LC Issuer or such Bank makes demand therefor pursuant to Section 4.6.

(d) Each Bank that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Bank") agrees that it will, not more than ten Business Days after the date hereof, or, if later, not more than ten Business Days after becoming a Bank hereunder, (i) deliver to each of the Company and the Agent two (2) duly completed copies of United States Internal Revenue Service Form W8BEN or W8ECI, certifying in either case that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to each of the Company and the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Bank further undertakes to deliver to each of the Company and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Company or the Agent. All forms or amendments described in the preceding sentence shall certify that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form or amendment with respect to it and such Bank advises the Company and the Agent that it

is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(e) For any period during which a Non-U.S. Bank has failed to provide the Company with an appropriate form pursuant to clause (d), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Bank shall not be entitled to indemnification under this Section 4.5 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Bank which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (d) above, the Company shall take such steps as such Non-U.S. Bank shall reasonably request to assist such Non-U.S. Bank to recover such Taxes.

(f) Any Bank that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Bond pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Company (with a copy to the Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(g) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered or properly completed, because such Bank failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Agent, which attorneys may be employees of the Agent). The obligations of the Banks under this Section 4.5(g) shall survive the payment of the Obligations and termination of this Agreement.

4.6 Bank Certificates, Survival of Indemnity. To the extent reasonably possible, each Bank shall designate an alternate Lending Installation with respect to Eurodollar Rate Loans to reduce any liability of the Company to such Bank under Section 4.1 or to avoid the unavailability of Eurodollar Rate Loan under Section 4.3, so long as such designation is not disadvantageous to such Bank. A certificate of such Bank as to the amount due under Section 4.1, 4.4 or 4.5 shall be final, conclusive and binding on the Company in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Rate Loan shall be calculated as though each Bank funded each Eurodollar Rate Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Base Eurodollar Rate applicable to such Loan whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in any certificate shall be payable on demand after receipt by the Company of such certificate. The obligations of the Company under Sections 4.1, 4.4 and 4.5 shall survive payment of the Obligations and termination of this

Agreement, provided, that no Bank shall be entitled to compensation to the extent that such compensation relates to any period of time more than 90 days after the termination of this Agreement.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Company hereby represents and warrants that:

5.1 Incorporation and Good Standing. The Company is duly incorporated, validly existing and in good standing under the laws of the State of Michigan.

5.2 Corporate Power and Authority: No Conflicts. The execution, delivery and performance by the Company of the Credit Documents are within the Company's corporate powers, have been duly authorized by all necessary corporate action and do not (i) violate the Company's charter, bylaws or any applicable law, or (ii) breach or result in an event of default under any indenture or material agreement, and do not result in or require the creation of any Lien upon or with respect to any of its properties (except the lien of the Indenture securing the Bonds and any Lien in favor of the Agent on the Facility LC Collateral Account or any funds therein)

5.3 Governmental Approvals. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Company of any Credit Document, except for the authorization to issue, sell or guarantee secured and/or unsecured short-term debt granted by the Federal Energy Regulatory Commission, which authorization has been obtained and is in full force and effect.

5.4 Legally Enforceable Agreements. Each Credit Document constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, subject to (a) the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

5.5 Financial Statements. The audited balance sheet of the Company and its Consolidated Subsidiaries as at December 31, 2001, and the related statements of income and cash flows of the Company and its Consolidated Subsidiaries for the fiscal year then ended, as set forth in the Company's Annual Report on Form 10-K/A (copies of which have been furnished to each Bank), and the unaudited restated balance sheet of the Company and its Consolidated Subsidiaries as at September 30, 2002 (copies of which have been furnished to each Bank) fairly present the financial condition of the Company and its Consolidated Subsidiaries as at such dates and the results of operations of the Company and its Consolidated Subsidiaries for the periods ended on such dates, all in accordance with GAAP, and except to the extent described in the Company's Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2002 (copies of which have been furnished to each Bank), since December 31, 2001, there has been no material adverse change in such financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, that would

materially adversely affect the Company's ability to perform its obligations under any Credit Document.

5.6 Litigation. Except (i) to the extent described in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 and Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2002, in each case as filed with the SEC, and (ii) such other similar actions, suits and proceedings predicated on the occurrence of the same events giving rise to any actions, suits and proceedings described in the Reports referred to in the foregoing clause (i), there is no pending or threatened action or proceeding against the Company or any of its Consolidated Subsidiaries before any court, governmental agency or arbitrator, which, if adversely determined, might reasonably be expected to materially adversely affect the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, or that would materially adversely affect the Company's ability to perform its obligations under any Credit Document. As of the Initial Borrowing Date, there is no litigation challenging the validity or the enforceability of any of the Credit Documents.

5.7 Margin Stock. The Company is not engaged in the business of extending credit for the purpose of buying or carrying margin stock (within the meaning of Regulation U), and no proceeds of any Credit Extension will be used to buy or carry any margin stock or to extend credit to others for the purpose of buying or carrying any margin stock.

5.8 ERISA. No Termination Event has occurred or is reasonably expected to occur with respect to any Plan. Neither the Company nor any of its ERISA Affiliates is an employer under a Multiemployer Plan.

5.9 Insurance. All insurance required by Section 6.2 is in full force and effect.

5.10 Taxes. The Company and its Subsidiaries have filed all tax returns (Federal, state and local) required to be filed and paid all taxes shown thereon to be due, including interest and penalties, or, to the extent the Company or any of its Subsidiaries is contesting in good faith an assertion of liability based on such returns, has provided adequate reserves for payment thereof in accordance with GAAP.

5.11 Investment Company Act. The Company is not an investment company (within the meaning of the Investment Company Act of 1940, as amended).

5.12 Public Utility Holding Company Act. The Company is exempt from the registration requirements of the Public Utility Holding Company Act of 1935, as amended, 15 USC 79, et seq.

5.13 Bonds. The issuance to the Agent of Bonds as evidence of the Obligations (i) will not violate any provision of the Indenture or any other agreement or instrument, or any law or regulation, or judicial or regulatory order, judgment or decree, to which the Company or any of its Subsidiaries is a party or by which any of the foregoing is bound and (ii) will provide the Banks, as beneficial holders of the Bonds through the Agent, the benefit of the Lien of the Indenture equally and ratably with the holders of other First Mortgage Bonds.

ARTICLE VI
AFFIRMATIVE COVENANTS

So long as any Obligations shall remain unpaid or any Bank shall have any Commitment under this Agreement, the Company shall:

6.1 Payment of Taxes, Etc. Pay and discharge before the same shall become delinquent, (a) all taxes, assessments and governmental charges or levies imposed upon it or upon its property, and (b) all lawful claims which, if unpaid, might by law become a Lien upon its property, provided that the Company shall not be required to pay or discharge any such tax, assessment, charge or claim (i) which is being contested by it in good faith and by proper procedures or (ii) the non-payment of which will not materially adversely affect the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole.

6.2 Maintenance of Insurance. Maintain insurance in such amounts and covering such risks with respect to its business and properties as is usually carried by companies engaged in similar businesses and owning similar properties, either with reputable insurance companies or, in whole or in part, by establishing reserves or one or more insurance funds, either alone or with other corporations or associations.

6.3 Preservation of Corporate Existence, Etc. Preserve and maintain its corporate existence, rights and franchises, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary in view of its business and operations or the ownership of its properties, provided that the Company shall not be required to preserve any such right or franchise or to remain so qualified unless the failure to do so would have a material adverse effect on the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, or the ability of the Company to enter into, or to perform its obligations under, any Credit Document.

6.4 Compliance with Laws, Etc. Comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, the non-compliance with which would materially adversely affect the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, or the ability of the Company to perform its obligations under any Credit Document.

6.5 Visitation Rights. Subject to any necessary approval from the Nuclear Regulatory Commission, at any reasonable time and from time to time, permit the Agent, any of the Banks or any agents or representatives thereof to examine and make copies of and abstracts from its records and books of account, visit its properties and discuss its affairs, finances and accounts with any of its officers.

6.6 Keeping of Books. Keep, and cause each Consolidated Subsidiary to keep, adequate records and books of account, in which full and correct entries shall be made of all of its financial transactions and its assets and business so as to permit the Company and its Consolidated Subsidiaries to present financial statements in accordance with GAAP.

6.7 Reporting Requirements. Furnish to the Agent, with sufficient copies for each of the Banks:

(a) as soon as practicable and in any event within five Business Days after becoming aware of the occurrence of any Default or Event of Default, a statement of a Designated Officer as to the nature thereof, and as soon as practicable and in any event within five Business Days thereafter, a statement of a Designated Officer as to the action which the Company has taken, is taking or proposes to take with respect thereto;

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Company, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as at the end of such quarter, and the related consolidated statements of income, cash flows and common stockholder's equity of the Company and its Consolidated Subsidiaries as at the end of and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, or statements providing substantially similar information (which requirement shall be deemed satisfied by the delivery of the Company's quarterly report of Form 10-Q for such quarter), all in reasonable detail and duly certified (subject to the absence of footnotes and to year-end audit adjustments) by a Designated Officer as having been prepared in accordance with GAAP, together with (i) a certificate of a Designated Officer (which certificate shall also accompany the financial statements delivered pursuant to clause (c) below) stating that such officer has no knowledge (having made due inquiry with respect thereto) that a Default or Event of Default has occurred and is continuing, or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the actions which the Company has taken, is taking or proposes to take with respect thereto, and (ii) a certificate of a Designated Officer, in substantially the form of Exhibit C hereto, setting forth the Company's computation of the financial ratios specified in Sections 8.1 and 8.2 as of the end of the immediately preceding fiscal quarter or year, as the case may be, of the Company;

(c) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, a copy of the Annual Report on Form 10-K (or any successor form) for the Company for such year, including therein the consolidated balance sheet of the Company and its Consolidated Subsidiaries as at the end of such year and the consolidated statements of income, cash flows and common stockholder's equity of the Company and its Consolidated Subsidiaries as at the end of and for such year, or statements providing substantially similar information, in each case certified by independent public accountants of recognized national standing selected by the Company (and not objected to by the Majority Banks), together with a certificate of such accounting firm addressed to the Banks stating that, in the course of its examination of the consolidated financial statements of the Company and its Consolidated Subsidiaries, which examination was conducted by such accounting firm in accordance with GAAP, (1) such accounting firm has obtained no knowledge that an Event of Default, insofar as such Event of Default related to accounting or financial matters, has occurred and is continuing, or if, in the opinion of such accounting firm, such an Event of Default has occurred and is continuing, a statement as to the nature thereof, and (2) such accounting firm has examined a certificate prepared by the Company setting forth the computations made by the Company in determining, as of the end of such fiscal year, the ratios specified in Sections 8.1 and 8.2, which certificate

shall be attached to the certificate of such accounting firm, and such accounting firm confirms that such computations accurately reflect such ratios;

(d) promptly after the sending or filing thereof, copies of all proxy statements which the Company sends to its stockholders, copies of all regular, periodic and special reports (other than those which relate solely to employee benefit plans) which the Company files with the SEC and notice of the sending or filing of (and, upon the request of the Agent or any Bank, a copy of) any final prospectus filed with the SEC;

(e) as soon as possible and in any event (i) within 30 days after the Company or any of its ERISA Affiliates knows or has reason to know that any Termination Event described in clause (a) of the definition of Termination Event with respect to any Plan has occurred and (ii) within ten days after the Company or any of its ERISA Affiliates knows or has reason to know that any other Termination Event with respect to any Plan has occurred, a statement of the Chief Financial Officer of the Company describing such Termination Event and the action, if any, which the Company or such ERISA Affiliate, as the case may be, proposes to take with respect thereto;

(f) promptly upon becoming aware thereof, notice of any upgrading or downgrading of the rating of the Senior Debt by Fitch, Moody's or S&P;

(g) as soon as possible and in any event within five (5) days after the occurrence of any material default under any material agreement to which the Company or any of its Subsidiaries is a party, which default would materially adversely affect the financial condition, business, results of operations or property of the Company and its Subsidiaries, considered as a whole, any of which is continuing on the date of such certificate, a certificate of the president or chief financial officer of the Company setting forth the details of such material default and the action which the Company or any such Subsidiary proposes to take with respect thereto; and

(h) such other information respecting the business, properties or financial condition of the Company as the Agent or any Bank through the Agent may from time to time reasonably request.

6.8 Use of Proceeds. The Company will use the proceeds of the Credit Extensions for general corporate purposes, working capital and refinancing the Debt under the Prior Agreement. The Company will not, nor will it permit any Subsidiary to, use any of the proceeds of the Credit Extensions to purchase or carry any "margin stock" (as defined in Regulation U).

6.9 Maintenance of Properties, Etc. The Company shall, and shall cause each of its Subsidiaries to, maintain in all material respects all of its respective owned and leased Property in good and safe condition and repair to the same degree as other companies engaged in similar businesses and owning similar properties, and not permit, commit or suffer any waste or abandonment of any such Property, and from time to time make or cause to be made all material repairs, renewals and replacements thereof, including, without limitation, any capital improvements which may be required; provided, however, that such Property may be altered or renovated in the ordinary course of the Company's or its Subsidiaries' business; and provided,

further, that the foregoing shall not restrict the sale of any asset of the Company or any Subsidiary to the extent not prohibited by Section 7.2.

6.10 Bonds. Beginning on the Initial Borrowing Date and continuing until the Commitments have terminated and all Obligations have been paid in full, cause (a) the sum of (i) the face amount of all Interest Bearing Bonds plus (ii) the Discounted Amount of all Zero Rate Bonds to at all times be equal to or greater than (b) the sum of the Aggregate Outstanding Credit Exposure plus all accrued and unpaid Commitment Fees, LC Fees and interest hereunder.

ARTICLE VII
NEGATIVE COVENANTS

So long as any Obligations shall remain unpaid or any Bank shall have any Commitment under this Agreement, the Company shall not:

7.1 Liens. Create, incur, assume or suffer to exist any Lien upon or with respect to any of its properties, now owned or hereafter acquired, except:

(a) Liens created pursuant to the Indenture securing the First Mortgage Bonds and any Lien in favor of the Agent on the Facility LC Collateral Account or any funds therein;

(b) Liens securing pollution control bonds, or bonds issued to refund or refinance pollution control bonds (including Liens securing obligations (contingent or otherwise) of the Company under letter of credit agreements or other reimbursement or similar credit enhancement agreements with respect to pollution control bonds), provided that the aggregate face amount of any such bonds so issued shall not exceed the aggregate face amount of such pollution control bonds, as the case may be, so refunded or refinanced;

(c) Liens in (and only in) assets acquired to secure Debt incurred to finance the acquisition of such assets;

(d) Statutory and common law banker's Liens on bank deposits;

(e) Liens in respect of accounts receivable sold, transferred or assigned by the Company;

(f) Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(g) Liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books;

(h) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, leases and contracts (other than for

borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;

(i) Judgment Liens in existence less than 30 days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered (subject to a customary deductible) by insurance;

(j) Zoning restrictions, easements, licenses, covenants, reservations, utility company rights, restrictions on the use of real property or minor irregularities of title incident thereto which do not in the aggregate materially detract from the value of the property or assets of the Company or materially impair the operation of its business;

(k) Liens arising in connection with the financing of the Company's fuel resources, including, but not limited to, nuclear fuel;

(l) Liens arising pursuant to M.C.L. 324.20138; provided that the aggregate amount of all obligations secured by such Liens (excluding any such Liens of which the Company has no knowledge or which are permitted by subsection (f) above) shall not exceed $20,000,000;

(m) Liens arising in connection with Securitized Bonds;

(n) Liens on natural gas, oil and mineral, or on stock in trade, material or supplies manufactured or acquired for the purpose of sale and or resale in the usual course of business or consumable in the operation of any of the properties of the Company; provided that such Liens secure obligations not exceeding $500,000,000 in aggregate principal amount;

(o) Other Liens securing obligations in an aggregate amount not in excess of $150,000,000.

7.2 Sale of Assets. Sell, lease, assign, transfer or otherwise dispose of 15% or more of its assets calculated with reference to total assets as reflected on the Company's consolidated balance sheet as at September 30, 2002, during the term of this Agreement.

7.3 Mergers, Etc. Merge with or into or consolidate with or into any other Person, except that the Company may merge with any other Person, provided that, in each case, immediately after giving effect thereto, (a) no event shall occur and be continuing which constitutes a Default or Event of Default, (b) the Company is the surviving corporation, (c) the Company shall not be liable with respect to any Debt or allow its Property to be subject to any Lien which it could not become liable with respect to or allow its Property to become subject to under this Agreement on the date of such transaction and (d) the Company's Net Worth shall be equal to or greater than its Net Worth immediately prior to such merger.

7.4 Compliance with ERISA. Permit to exist any occurrence of any Reportable Event, or any other event or condition which presents a material (in the reasonable opinion of the Majority Banks) risk of a termination by the PBGC of any Plan of the Company or any ERISA Affiliate, which termination will result in any material (in the reasonable opinion of the Majority Banks) liability of the Company or such ERISA Affiliate to the PBGC.

7.5 Change in Nature of Business. Make any material change in the nature of its business as carried on as of the date hereof.

7.6 Restricted Payments. The Company: (a) will not declare or pay any dividends or make any other distributions on its capital stock (other than dividends payable solely in such capital stock) or redeem any such capital stock; and (b) will not, and will not permit any Subsidiary to, purchase or otherwise acquire or retire any of the Company's capital stock or make any loans or advances to CMS or any Subsidiary thereof (other than the Company or any Subsidiary thereof); provided that, so long as no Default or Event of Default exists, the Company may pay dividends in an aggregate amount not to exceed $300,000,000 during any calendar year.

7.7 Off-Balance Sheet Liabilities. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, Off-Balance Sheet Liabilities (exclusive of obligations arising in connection with (a) the Amended and Restated Receivables Sale Agreement among the Company, Asset Securitization Cooperative Corporation and Canadian Imperial Bank of Commerce dated as of April 1, 2002, as amended, restated or otherwise modified from time to time and any similar agreement entered into in replacement thereof, and (b) the Master Lease and Lease Supplement, each dated as of April 23, 2001, between Consumers Campus Holding, LLC (a wholly-owned Subsidiary of the Company), as lessee, and Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee of CEC Trust 2001-A, as lessor, along with various other related agreements), as amended, restated or otherwise modified from time to time and any similar agreement entered into in replacement thereof) in the aggregate in excess of $250,000,000 at any time.

ARTICLE VIII
FINANCIAL COVENANTS

So long as any of the Obligations shall remain unpaid or any Bank shall have any Commitment under this Agreement, the Company shall:

8.1 Debt to Capital Ratio. At all times, maintain a ratio of Total Consolidated Debt to Total Consolidated Capitalization of not greater than 0.65 to 1.0.

8.2 Interest Coverage Ratio. Not permit the ratio, determined as of the end of each of its fiscal quarters for the then most-recently ended four fiscal quarters, of (i) Consolidated EBIT to (ii) Consolidated Interest Expense to be less than 2.0 to 1.0.

ARTICLE IX
EVENTS OF DEFAULT

9.1 Events of Default. The occurrence of any of the following events shall constitute an "Event of Default":

(a) The Company shall fail to pay (i) any principal of any Advance when due and payable, or (ii) any Reimbursement Obligation within one (1) day after the same becomes due, or (iii) any interest on any Advance or any fee or other Obligation payable hereunder within five (5) days after such interest or fee or other Obligation becomes due and payable;

(b) Any representation or warranty made by the Company (or any of its officers) in this Agreement or any other Credit Document or in any certificate, document, report, financial or other written statement furnished at any time pursuant to any Credit Document shall prove to have been incorrect in any material respect on or as of the date made;

(c) The Company shall fail to perform or observe any term, covenant or agreement contained in Section 6.10, Article VII or Article VIII; or the Company shall fail to perform or observe any other term, covenant or agreement on its part to be performed or observed in this Agreement or in any other Credit Document and such failure shall continue for 30 consecutive days after notice thereof by means of facsimile, regular mail or written notice delivered in person (or telephonic notice thereof confirmed in writing) shall have been given to the Company by the Agent or the Majority Banks;

(d) The Company shall: (i) fail to pay any Debt (other than the payment obligations described in subsection (a) above) in excess of $25,000,000, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the instrument or agreement relating to such Debt; or (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such Debt, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, the maturity of such Debt, unless the obligee under or holder of such Debt shall have waived in writing such circumstance, or such circumstance has been cured, so that such circumstance is no longer continuing; or (iii) any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), in each case in accordance with the terms of such agreement or instrument, prior to the stated maturity thereof; or (iv) generally not, or shall admit in writing its inability to, pay its debts as such debts become due;

(e) The Company: (i) shall make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (ii) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (iii) shall have had any such petition or application filed or any such proceeding shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed for a period of 30 consecutive days or more; or (iv) by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (v) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of 30 days or more; or (vi) shall take any corporate action to authorize any of the actions set forth above in this subsection (e);

(f) One or more judgments, decrees or orders for the payment of money in excess of $25,000,000 in the aggregate shall be rendered against the Company and either (i) enforcement proceedings shall have been commenced by any creditor upon any such judgment or order or (ii) there shall be any period of more than 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(g) Any Termination Event with respect to a Plan shall have occurred, and 30 days after notice thereof shall have been given to the Company by the Agent, (i) such Termination Event (if correctable) shall not have been corrected and (ii) the then present value of such Plan's vested benefits exceeds the then current value of the assets accumulated in such Plan by more than the amount of $25,000,000 (or in the case of a Termination Event involving the withdrawal of a "substantial employer" (as defined in Section 4001(A)(2) of ERISA), the withdrawing employer's proportionate share of such excess shall exceed such amount).

(h) Any Bond shall cease to be in full force and effect (except for Bonds surrendered by the Agent pursuant to Section 2.5(b)); or the Company shall deny that it has any liability or obligation under any Bond or purport to revoke, terminate, rescind or redeem any Bond (other than in accordance with the terms of the Bonds and the Indenture).

9.2 Remedies.

(a) If any Event of Default shall occur and be continuing, the Agent shall upon the request, or may with the consent, of the Majority Banks, by notice to the Company, (i) declare the Commitments and the obligation and power of the LC Issuer to issue Facility LCs to be terminated or suspended, whereupon the same shall forthwith terminate, and/or (ii) declare the Obligations to be forthwith due and payable, whereupon the Aggregate Outstanding Credit Exposure and all other Obligations shall become and be forthwith due and payable, and/or (iii) in addition to the continuing right to demand payment of all amounts payable under this Agreement, make demand on the Company to pay, and the Company will, forthwith upon such demand and without any further notice or act, pay to the Agent the Collateral Shortfall Amount (as defined below), which funds shall be deposited in the Facility LC Collateral Account, in each case without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company, provided that in the case of an Event of Default referred to in subsection 9.1(e) above, the Commitments shall automatically terminate, the obligation and power of the LC Issuer to issue Facility LCs shall automatically terminate and the Obligations shall automatically become due and payable without notice, presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company, and the Company will be and become thereby unconditionally obligated, without any further notice, act or demand, to pay to the Agent an amount in immediately available funds, which funds shall be held in the Facility LC Collateral Account, equal to the difference of (x) the amount of LC Obligations at such time, less (y) the amount on deposit in the Facility LC Collateral Account at such time which is free and clear of all rights and claims of third parties and has not been applied against the Obligations (such difference, the "Collateral Shortfall Amount").

(b) If at any time while any Event of Default is continuing, the Agent determines that the Collateral Shortfall Amount at such time is greater than zero, the Agent may make demand on the Company to pay, and the Company will, forthwith upon such demand and without any further notice or act, pay to the Agent the Collateral Shortfall Amount, which funds shall be deposited in the Facility LC Collateral Account.

(c) The Agent may, at any time or from time to time after funds are deposited in the Facility LC Collateral Account, apply such funds to the payment of the Obligations and any other amounts as shall from time to time have become due and payable by the Company to the

Banks or the LC Issuer under the Credit Documents. The Company hereby pledges, assigns and grants to the Agent, on behalf of and for the ratable benefit of the Banks and the LC Issuer, a security interest in all of the Company's right, title and interest in and to all funds which may from time to time be on deposit in the Facility LC Collateral Account to secure the prompt and complete payment and performance of the Obligations. The Agent will invest any funds on deposit from time to time in the Facility LC Collateral Account in certificates of deposit of Bank One having a maturity not exceeding 30 days.

(d) At any time while any Event of Default is continuing, neither the Company nor any Person claiming on behalf of or through the Company shall have any right to withdraw any of the funds held in the Facility LC Collateral Account. After all of the Obligations have been indefeasibly paid in full and the Aggregate Commitment has been terminated, any funds remaining in the Facility LC Collateral Account shall be returned by the Agent to the Company or paid to whomever may be legally entitled thereto at such time.

ARTICLE X
WAIVERS, AMENDMENTS AND REMEDIES

10.1 Amendments. Subject to the provisions of this Article X, the Majority Banks (or the Agent with the consent in writing of the Majority Banks) and the Company may enter into written agreements supplemental hereto for the purpose of adding or modifying any provisions to the Credit Documents or changing in any manner the rights of the Banks or the Company hereunder or waiving any Event of Default hereunder, provided that no such supplemental agreement shall, without the consent of all of the Banks:

(a) Extend the maturity of any Loan or reduce the principal amount thereof, or extend the expiry date of any Facility LC to a date after the Termination Date, or reduce the rate or extend the time of payment of interest thereon or fees thereon or Reimbursement Obligations related thereto.

(b) Modify the percentage specified in the definition of Majority Banks.

(c) Extend the Termination Date or increase the amount of the Commitment of any Bank hereunder or the commitment to issue Facility LCs, or permit the Company to assign its rights under this Agreement.

(d) Amend Section 6.10 or this Section 10.1.

(e) Make any change in an express right in this Agreement of a single Bank to give its consent, make a request or give a notice.

No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent, and no amendment of any provision relating to the LC Issuer shall be effective without the written consent of the LC Issuer.

10.2 Preservation of Rights. No delay or omission of the Banks, the LC Issuer or the Agent to exercise any right under the Credit Documents shall impair such right or be construed to be a waiver of any Default or Event of Default or an acquiescence therein, and the making of a

Credit Extension notwithstanding the existence of a Default or Event of Default or the inability of the Company to satisfy the conditions precedent to such Credit Extension shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Credit Documents whatsoever shall be valid unless in writing signed by the Banks required pursuant to Section 10.1, and then only to the extent in such writing specifically set forth. All remedies contained in the Credit Documents or by law afforded shall be cumulative and all shall be available to the Agent, the LC Issuer and the Banks until the Obligations have been paid in full.

ARTICLE XI
CONDITIONS PRECEDENT

11.1 Initial Credit Extension. The Banks shall not be required to make the initial Credit Extension hereunder unless the Company has furnished to the Agent with sufficient copies for the Banks:

(a) Copies of the Restated Articles of Incorporation of the Company, together with all amendments, certified by the Secretary or an Assistant Secretary of the Company, and a certificate of good standing, certified by the appropriate governmental officer in its jurisdiction of incorporation.

(b) Copies, certified by the Secretary or an Assistant Secretary of the Company, of its bylaws and of its Board of Directors' resolutions (and resolutions of other bodies, if any are deemed necessary by counsel for any Bank) authorizing the execution of the Credit Documents.

(c) An incumbency certificate, executed by the Secretary or an Assistant Secretary of the Company, which shall identify by name and title and bear the original or facsimile signature of the officers of the Company authorized to sign the Credit Documents and the officers or other employees authorized to make borrowings hereunder, upon which certificate the Banks shall be entitled to rely until informed of any change in writing by the Company.

(d) A certificate, signed by a Designated Officer of the Company, stating that on the date hereof no Default or Event of Default has occurred and is continuing.

(e) Evidence satisfactory to the Agent of the issuance of the Bonds in the form set forth in the Supplemental Indenture and in an aggregate principal amount of $265,000,000 pursuant to the Bond Delivery Agreement.

(f) Favorable opinions of: (i) Michael D. VanHemert, Esq., Deputy General Counsel of the Company, as to the matters set forth in Exhibit B-1 and as to such other matters as the Agent may reasonably request; (ii) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Company, as to the matters set forth in Exhibit B-2 and as to such other matters as the Agent may reasonably request; and (iii) Miller, Canfield, Paddock and Stone, P.L.C., as to the matters set forth in Exhibit B-3 and as to such other matters as the Agent may reasonably request. Such opinions shall be addressed to the Agent and the Banks and shall be satisfactory in form and substance to the Agent.

(g) Evidence satisfactory to the Agent that the Prior Agreement shall have been or shall simultaneously on the Initial Borrowing Date be terminated (except for those provisions that expressly survive the termination thereof) and all loans outstanding and other amounts owed to the lenders or agents thereunder shall have been, or shall simultaneously with the initial Credit Extension hereunder be, paid in full.

(h) Evidence, in form and substance satisfactory to the Agent, that the Company has obtained all governmental approvals, if any, necessary for it to enter into the Credit Documents.

(i) Such other documents as any Bank or its counsel may have reasonably requested.

It shall be a further condition precedent to the making of the initial Credit Extension hereunder that the Company shall have paid (i) to the Agent for the account of the Banks the fees required to be paid on the Initial Borrowing Date and (ii) to the Agent and the Arranger the fees required to be paid to them pursuant to the fee letter described in Section 13.12.

11.2 Each Credit Extension. The Banks shall not be required to make any Credit Extension unless on the applicable Borrowing Date, (i) no Default or Event of Default exists, (ii) the representations and warranties contained in Article V are true and correct as of such Borrowing Date, (iii) after giving effect to such Credit Extension the Aggregate Outstanding Credit Exposure, plus all accrued and unpaid Commitment Fees, LC Fees and interest hereunder, will not exceed the sum of (x) the Face Amount of all Interest Bearing Bonds plus (y) the Discounted Amount of all Zero Rate Bonds and (iv) all legal matters incident to the making of such Credit Extension are satisfactory to the Banks and their counsel. Each Borrowing Notice and each request for issuance of a Facility LC shall constitute a representation and warranty by the Company that the conditions contained in subsections (i), (ii) and (iii) above will be satisfied on the relevant Borrowing Date. For the avoidance of doubt, the conversion or continuation of an Advance shall not be considered the making of a Credit Extension.

ARTICLE XII
GENERAL PROVISIONS

12.1 Successors and Assigns. (a)The terms and provisions of the Credit Documents shall be binding upon and inure to the benefit of the Company and the Banks and their respective successors and assigns, except that the Company shall not have the right to assign its rights under the Credit Documents. Any Bank may sell participations in all or a portion of its rights and obligations under this Agreement pursuant to subsection (b) below and any Bank may assign all or any part of its rights and obligations under this Agreement pursuant to subsection (c) below.

(b) Any Bank may sell participations to one or more banks or other entities (each a "Participant") in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and its Outstanding Credit Exposure), provided that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Company hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of the Outstanding Credit Exposure of such Bank for all purposes of this Agreement and (iv) the Company shall continue to deal solely and directly with such

Bank in connection with such Bank's rights and obligations under this Agreement. Each Bank shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Credit Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which would require consent of all of the Banks pursuant to the terms of Section 10.1 or of any other Credit Document. The Company agrees that each Participant shall be deemed to have the right of setoff provided in Section 12.10 in respect of its participating interest in amounts owing under the Credit Documents to the same extent as if the amount of its participating interest were owing directly to it as a Bank under the Credit Documents, provided that each Bank shall retain the right of setoff provided in Section 12.10 with respect to the amount of participating interests sold to each Participant. The Banks agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 12.10, agrees to share with each Bank, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 12.10 as if each Participant were a Bank. The Company further agrees that each Participant shall be entitled to the benefits of Sections 4.1, 4.3, 4.4 and 4.5 to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to Section 12.1(c), provided that (i) a Participant shall not be entitled to receive any greater payment under Section 4.1, 4.3, 4.4 or 4.5 than the Bank who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Company, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 4.5 to the same extent as if it were a Bank.

(c) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more financial institutions all or any part of its rights and obligations under this Agreement, provided that (i) such Bank has received the Agent's and, so long as no Event of Default exists, the Company's prior written consent to such assignment, which consent shall not be unreasonably withheld, and (ii) the minimum principal amount of any such assignment (other than assignments to a Federal Reserve Bank, or to any other Bank or affiliate of such assigning Bank, or to any direct or indirect contractual counterparties in swap agreements relating to the Loans to the extent required in connection with the physical settlement of any Bank's obligations pursuant thereto) shall be $5,000,000 (or such lesser amount consented to by the Agent and, so long as no Event of Default shall be continuing, the Company); provided, that after giving effect to such assignment the assigning Bank shall have a Commitment of not less than $5,000,000 (unless otherwise consented to by the Agent and, so long as no Event of Default shall be continuing, the Company). Notwithstanding the foregoing sentence, any Bank may at any time, without the consent of the Company or the Agent, assign all or any portion of its rights under this Agreement to (i) a Federal Reserve Bank, provided that no such assignment shall release the transferor Bank from its obligations hereunder; and (ii) any Bank or any affiliate of such assigning Bank, provided that the creditworthiness of such affiliate (as determined in accordance with customary standards of the banking industry) is no less than that of the assigning Bank; and (iii) any direct or indirect contractual counterparties in swap agreements relating to the Loans to the extent required in connection with the physical settlement of any Bank's obligations pursuant thereto.

(d) Any Bank may, in connection with any sale or participation or proposed sale or participation pursuant to this Section 12.1, disclose to the purchaser or participant or proposed purchaser or participant any information relating to the Company furnished to such Bank by or on behalf of the Company, provided that prior to any such disclosure of non-public information, the purchaser or participant or proposed purchaser or participant (which purchaser or participant is not an affiliate of a Bank) shall agree to preserve the confidentiality of any confidential information (except any such disclosure as may be required by law or regulatory process) relating to the Company received by it from such Bank.

(e) Assignments under this Section 12.1 shall be made pursuant to an agreement ("Assignment Agreement") substantially in the form of Exhibit D hereto or in such other form as may be agreed to by the parties thereto and shall not be effective until a $3,500 fee has been paid to the Agent by the assignee, which fee shall cover the cost of processing such assignment, provided that such fee shall not be incurred in the event of an assignment by any Bank of all or a portion of its rights under this Agreement to (i) a Federal Reserve Bank or (ii) a Bank or an affiliate of the assigning Bank or (iii) to any direct or indirect contractual counterparties in swap agreements relating to the Loans to the extent required in connection with the physical settlement of any Bank's obligations pursuant thereto.

12.2 Survival of Representations. All representations and warranties of the Company contained in this Agreement shall survive the making of the Credit Extensions herein contemplated.

12.3 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, neither the LC Issuer nor any Bank shall be obligated to extend credit to the Company in violation of any limitation or prohibition provided by any applicable statute or regulation.

12.4 Taxes. Any taxes (excluding income taxes) payable or ruled payable by any Federal or State authority in respect of the execution of the Credit Documents shall be paid by the Company, together with interest and penalties, if any.

12.5 Choice of Law. THE CREDIT DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF NEW YORK, BUT OTHERWISE WITHOUT REGARD TO THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS. THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY CREDIT DOCUMENT AND THE COMPANY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. THE COMPANY HEREBY WAIVES ANY RIGHT TO A JURY TRIAL IN ANY ACTION OR ARISING HEREUNDER OR UNDER ANY CREDIT DOCUMENT.

12.6 Headings. Section headings in the Credit Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Credit Documents.

12.7 Entire Agreement. The Credit Documents embody the entire agreement and understanding between the Company, the LC Issuer, the Agent and the Banks and supersede all prior agreements and understandings between the Company, the LC Issuer, the Agent and the Banks relating to the subject matter thereof (other than those contained in the fee letter described in Section 13.12 which shall survive and remain in full force and effect during the term of this Agreement).

12.8 Expenses; Indemnification. The Company shall reimburse the Agent and the Arranger for (a) any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Agent) paid or incurred by the Agent or the Arranger in connection with the preparation, review, execution, delivery, syndication, distribution (including, without limitation, via the internet), amendment and modification of the Credit Documents and (b) any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Agent) paid or incurred by the Agent or the Arranger on its own behalf or on behalf of the LC Issuer or any Bank in connection with the collection and enforcement of the Credit Documents. The Company further agrees to indemnify the Agent, the Arranger, the LC Issuer and each Bank and their respective directors, officers and employees against all losses, claims, damages, penalties, judgments, liabilities and reasonable expenses (including, without limitation, all material expenses of litigation or preparation therefor whether or not the Agent, the Arranger, the LC Issuer or any Bank is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Credit Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Credit Extension hereunder, provided that the Company shall not be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent, the Arranger, the LC Issuer or any Bank. The obligations of the Company under this Section shall survive the termination of this Agreement.

12.9 Severability of Provisions. Any provision in any Credit Document that is held to be inoperative, unenforceable or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability or validity of that provision in any other jurisdiction, and to this end the provisions of all Credit Documents are declared to be severable.

12.10 Setoff. In addition to, and without limitation of, any rights of the Banks under applicable law, if the Company becomes insolvent, however evidenced, or any Default or Event of Default occurs, any indebtedness from any Bank to the Company (including all account balances, whether provisional or final and whether or not collected or available) may be offset and applied toward the payment of the Obligations owing to such Bank, whether or not the Obligations, or any part hereof, shall then be due. The Company agrees that any purchaser or participant under Section 12.1 may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such purchase or participation as if it were the direct creditor of the Company in the amount of such purchase or participation.

12.11 Ratable Payments. If any Bank, whether by setoff or otherwise, has payment made to it upon its Outstanding Credit Exposure in a greater proportion than that received by any other Bank, such Bank agrees, promptly upon demand, to purchase a portion of the Aggregate Outstanding Credit Exposure held by the other Banks so that after such purchase each Bank will hold its Pro Rata Share of the Aggregate Outstanding Credit Exposure. If any Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Bank agrees, promptly upon demand, to take such action necessary such that all Banks share in the benefits of such collateral ratably in proportion to their respective Pro Rata Share of the Aggregate Outstanding Credit Exposure. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

12.12 Nonliability of Bank. The relationship between the Company, on the one hand, and the Banks, the LC Issuer and the Agent, on the other hand, shall be solely that of borrower and lender. Neither the Agent, the Arranger, the LC Issuer nor any Bank shall have any fiduciary responsibilities to the Company. Neither the Agent, the Arranger, the LC Issuer nor any Bank undertakes any responsibility to the Company to review or inform the Company of any matter in connection with any phase of the Company's business or operations. The Company shall rely entirely upon its own judgment with respect to its business, and any review, inspection, supervision or information supplied to the Company by the Banks is for the protection of the Banks and neither the Company nor any third party is entitled to rely thereon. The Company agrees that neither the Agent, the Arranger, the LC Issuer nor any Bank shall have liability to the Company (whether sounding in tort, contract or otherwise) for losses suffered by the Company in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Credit Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Agent, the Arranger, the LC Issuer nor any Bank shall have any liability with respect to, and the Company hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by the Company in connection with, arising out of, or in any way related to the Credit Documents or the transactions contemplated thereby.

ARTICLE XIII
THE AGENT

13.1 Appointment. Bank One, NA (Main Office - Chicago) is hereby appointed Agent hereunder, and each of the Banks irrevocably authorizes the Agent to act as the contractual representative on behalf of such Bank. The Agent agrees to act as such upon the express conditions contained in this Article XIII. The Agent shall not have a fiduciary relationship in respect of any Bank by reason of this Agreement.

13.2 Powers. The Agent shall have and may exercise such powers hereunder as are specifically delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. The Agent shall not have any implied duties to the Banks or any obligation to the Banks to take any action hereunder except any action specifically provided by this Agreement to be taken by the Agent.

13.3 General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Banks or any Bank for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct.

13.4 No Responsibility for Loans, Recitals, Etc. The Agent shall not be responsible to the Banks for any recitals, reports, statements, warranties or representations herein or in any Credit Document or be bound to ascertain or inquire as to the performance or observance of any of the terms of this Agreement.

13.5 Action on Instructions of Banks. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Credit Document in accordance with written instructions signed by the Majority Banks (or all of the Banks if required by Section 10.1), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Banks. The Banks hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Credit Document unless it shall be requested in writing to do so by the Majority Banks. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Credit Document unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

13.6 Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder by or through employees, agents and attorneys-in-fact and shall not be answerable to the Banks, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder.

13.7 Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

13.8 Agent's Reimbursement and Indemnification. The Banks agree to reimburse and indemnify the Agent ratably in proportion to their respective Commitments (i) for any amounts not reimbursed by the Company for which the Agent is entitled to reimbursement by the Company under the Credit Documents, (ii) for any other expenses reasonably incurred by the Agent on behalf of the Banks, in connection with the preparation, execution, delivery, administration and enforcement of the Credit Documents, and for which the Agent is not entitled to reimbursement by the Company under the Credit Documents, and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other document delivered in connection with this Agreement or the transactions contemplated hereby or the enforcement of any of the terms hereof or of any such other documents, and for which the

Agent is not entitled to reimbursement by the Company under the Credit Documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent.

13.9 Rights as a Lender. With respect to its Commitment and any Credit Extension made by it, the Agent shall have the same rights and powers hereunder as any Bank and may exercise the same as though it were not the Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include Bank One in its individual capacity. The Agent may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with the Company or any Subsidiary as if it were not the Agent.

13.10 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

13.11 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Company, and the Agent may be removed at any time with or without cause by written notice received by the Agent from the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint, on behalf of the Banks, a successor Agent. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within thirty days after the retiring Agent's giving notice of resignation, then the retiring Agent may appoint, on behalf of the Banks, a successor Agent. Such successor Agent shall be a commercial bank having capital and retained earnings of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article XIII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder.

13.12 Agent and Arranger Fees. The Company agrees to pay to the Agent and Banc One Capital Markets, Inc. (the "Arranger"), for their respective accounts, the fees agreed to by the Company, the Agent and the Arranger pursuant to that certain letter agreement dated March 27, 2003, or as otherwise agreed from time to time.

ARTICLE XIV
NOTICES

14.1 Giving Notice. Except as otherwise permitted by Section 2.8 with respect to borrowing notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Company or the Agent or the LC Issuer, at its

address or facsimile number set forth on the signature pages hereof, (y) in the case of any Bank, at its address or facsimile number set forth below its signature hereto or (z) in the case of any party, at such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Agent and the Company in accordance with the provisions of this Section 14.1. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; provided that notices to the Agent under Article II shall not be effective until received.

14.2 Change of Address. The Company, the Agent and any Bank may each change the address for service of notice upon it by a notice in writing to the other parties hereto.

ARTICLE XV
TERMINATION OF PRIOR AGREEMENT

The Company and the Banks which are parties to the Prior Agreement (which Banks constitute "Majority Banks" under Prior Agreement) agree that notwithstanding any requirement for notice of termination of the Commitments under Section 2.5(b) of the Prior Agreement), simultaneously with the initial Credit Extension hereunder, the Prior Agreement shall terminate and be of no further force or effect (except for any provision thereof which by its terms survives termination thereof).

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ARTICLE XVI
COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Company, the Agent, the LC Issuer and the Banks and each party has notified the Agent by facsimile or telephone that it has taken such action.

IN WITNESS WHEREOF, the Company, the Banks, the LC Issuer and the Agent have executed this Agreement as of the date first above written.

CONSUMERS ENERGY COMPANY

By: /s/ Laura L. Mountcastle

Name: Laura L. Mountcastle
Title: Vice President

212 West Michigan Avenue
Jackson, MI 49201
Attention: ____________________
Facsimile No.: (___) ___-____
Confirmation (Phone) No: (___) ___-____
E-Mail Address: _________________

BANK ONE, NA (MAIN OFFICE -
CHICAGO), Individually and as Agent and as
LC Issuer

By: /s/ Jane A. Bek

    Name: Jane A. Bek
    Title: Director

ADDRESS:
Bank One Plaza
Chicago, Illinois 60670
Attention: Jane A. Bek
Facsimile No.: (312) 732-5435
Confirmation (Phone) No: (312) 732-3422
E-Mail Address: Jane_bek@bankone.com

BARCLAYS BANK PLC

By: /s/ Sydney G. Dennis

Name: Sydney G. Dennis
Title: Director

ADDRESS:
200 Park Avenue - 4th Floor
New York, New York 10166
Attention: Sydney G. Dennis
Facsimile No.: (212) 412-7511
Confirmation (Phone) No: (212) 412-2470
E-Mail Address: sydney.dennis@barcap.com

CITICORP NORTH AMERICA, INC.
Individually and as Co-Documentation Agent

By: /s/ Dale Goncher

Name: Dale Goncher
Title: Director

ADDRESS:
388 Greenwich St. 21st Floor
NY, NY 10013
Attention: Amit Vasani
Facsimile No.: (212) 816-8098
Confirmation (Phone) No: (212) 816-4166
E-Mail Address: amit.Vasani@citigroup.com

JP MORGAN CHASE BANK, Individually and
as Co-Documentation Agent

By: /s/ Thomas Casey

Name: Thomas Casey
Title: Vice President

ADDRESS: 270 Park Avenue, 4th floor
New York, New York 10016

Attention: Thomas Casey
Facsimile No.: (212) 270-3089
Phone No: (212) 270 - 5305
E-Mail Address: thomas.casey@jpmorgan.com

UNION BANK OF CALIFORNIA, N.A.,
Individually and as Co-Documentation Agent

By: /s/ Dennis G. Blank

Name: Dennis G. Blank
Title: Vice President

ADDRESS:
445 S. Flgueroa St.15th Floor
Los Angeles, CA 90071
Attention: Dennis Blank
Facsimile No.: (213) 236-4096
Confirmation (Phone) No: (213) 236-6564
E-Mail Address: dennis.blank@uboc.com

WACHOVIA BANK, NATIONAL
ASSOCIATION

By: /s/ D. Mitch Wilson

    Name: D. Mitch Wilson
    Title: Vice President

ADDRESS:
301 S. College St - 5th Floor
Charlotte, NC 28288-0251
Attention: D. Mitch Wilson
Facsimile No.: (704) 374-2570
Confirmation (Phone) No: (704) 383-5642
E-Mail Address: mitch.wilson@wachovia.com

STANDARD FEDERAL BANK N.A.

By: /s/ Richard C. Northrup, III

    Name: Richard C. Northrup, III
    Title: First Vice President

ADDRESS: 201 South Main Street
Ann Arbor, Michigan 48104

Attention: Richard C. Northrup, III
Facsimile No.: 734-747-7637
Confirmation (Phone) No: 734-747-7626
E-Mail Address:
richard.northrup@abnamro.com

HUNTINGTON NATIONAL BANK

By: /s/ Gary Corsbie

    Name: Gary Corsbie
    Title: Vice President

ADDRESS: 10717 Adams Street MI051
         Holland, MI 49423

Attention: Gary Corsbie
Facsimile No.: (616) - 355-8617
Confirmation (Phone) No: (616) -355-9081
E-Mail Address: gary.corsbie@huntington.com

COMERICA BANK

By: /s/ David C. Bird

Name: David C. Bird
Title: Vice President

ADDRESS: 500 Woodward Avenue MC 3268
Detroit, MI 48226

Attention: David C. Bird
Facsimile No.: (313) 222-9514
Confirmation (Phone) No: (313) 222-5060
E-Mail Address: David_c_Bird@comerica.com

THE FIFTH THIRD BANK

By: /s/ David A. Foote

    Name: David A. Foote
    Title: Vice President

ADDRESS:
111 Lyon St. Grand Rapids, MI 49503

Attention: David A. Foote
Facsimile No.: (616)653-5843
Confirmation (Phone) No: (616)653-5142
E-Mail Address: david.foote@53.com

EXHIBIT A

[FORM OF SUPPLEMENTAL INDENTURE]

EIGHTY-EIGHTH SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR

FIRST MORTGAGE BONDS,

2003 COLLATERAL SERIES (INTEREST BEARING)

and

2003 COLLATERAL SERIES (ZERO RATE)

DATED AS OF MARCH 27, 2003

CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,

TRUSTEE

Counterpart ____ of 80

THIS EIGHTY-EIGHTH SUPPLEMENTAL INDENTURE, dated as of March 27, 2003 (herein sometimes referred to as "this Supplemental Indenture"), made and entered into by and between CONSUMERS ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan, with its principal executive office and place of business at 212 West Michigan Avenue, in Jackson, Jackson County, Michigan 49201, formerly known as Consumers Power Company (hereinafter sometimes referred to as the "Company"), and JPMORGAN CHASE BANK, a corporation organized and existing under the laws of the State of New York, with its corporate trust offices at 4 New York Plaza, in the Borough of Manhattan, The City of New York, New York 10004 (hereinafter sometimes referred to as the "Trustee"), as Trustee under the Indenture dated as of September 1, 1945 between Consumers Power Company, a Maine corporation (hereinafter sometimes referred to as the "Maine corporation"), and City Bank Farmers Trust Company (Citibank, N.A., successor, hereinafter sometimes referred to as the "Predecessor Trustee"), securing bonds issued and to be issued as provided therein (hereinafter sometimes referred to as the "Indenture"),

WHEREAS at the close of business on January 30, 1959, City Bank Farmers Trust Company was converted into a national banking association under the title "First National City Trust Company"; and

WHEREAS at the close of business on January 15, 1963, First National City Trust Company was merged into First National City Bank; and

WHEREAS at the close of business on October 31, 1968, First National City Bank was merged into The City Bank of New York, National Association, the name of which was thereupon changed to First National City Bank; and

WHEREAS effective March 1, 1976, the name of First National City Bank was changed to Citibank, N.A.; and

WHEREAS effective July 16, 1984, Manufacturers Hanover Trust Company succeeded Citibank, N.A. as Trustee under the Indenture; and

WHEREAS effective June 19, 1992, Chemical Bank succeeded by merger to Manufacturers Hanover Trust Company as Trustee under the Indenture; and

WHEREAS effective July 15, 1996, The Chase Manhattan Bank (National Association), merged with and into Chemical Bank which thereafter was renamed The Chase Manhattan Bank; and

WHEREAS effective November 11, 2001, The Chase Manhattan Bank merged with Morgan Guaranty Trust Company of New York and the surviving corporation was renamed JPMorgan Chase Bank; and

WHEREAS the Indenture was executed and delivered for the purpose of securing such bonds as may from time to time be issued under and in accordance with the terms of the Indenture, the aggregate principal amount of bonds to be secured thereby being limited to $5,000,000,000 at any one time outstanding (except as provided in Section 2.01 of the Indenture), and the Indenture describes and sets forth the property conveyed thereby and is filed

in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Indenture has been supplemented and amended by various indentures supplemental thereto, each of which is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Company and the Maine corporation entered into an Agreement of Merger and Consolidation, dated as of February 14, 1968, which provided for the Maine corporation to merge into the Company; and

WHEREAS the effective date of such Agreement of Merger and Consolidation was June 6, 1968, upon which date the Maine corporation was merged into the Company and the name of the Company was changed from "Consumers Power Company of Michigan" to "Consumers Power Company"; and

WHEREAS the Company and the Predecessor Trustee entered into a Sixteenth Supplemental Indenture, dated as of June 4, 1968, which provided, among other things, for the assumption of the Indenture by the Company; and

WHEREAS said Sixteenth Supplemental Indenture became effective on the effective date of such Agreement of Merger and Consolidation; and

WHEREAS the Company has succeeded to and has been substituted for the Maine corporation under the Indenture with the same effect as if it had been named therein as the mortgagor corporation; and

WHEREAS effective March 11, 1997, the name of Consumers Power Company was changed to Consumers Energy Company; and

WHEREAS, the Company has entered into a Credit Agreement dated as of March 27, 2003 (as amended or otherwise modified from time to time, the "Credit Agreement") with various financial institutions and Bank One, NA, as administrative agent (in such capacity, the "Agent") for the Banks (as such term is defined in the Credit Agreement), providing for the making of certain financial accommodations thereunder, and pursuant to such Credit Agreement the Company has agreed to issue to the Agent, as evidence of and security for the Obligations (as such term is defined in the Credit Agreement), two (2) new series of bonds under the Indenture; and

WHEREAS, for such purposes the Company desires to issue: (i) a new series of bonds, to be designated First Mortgage Bonds, 2003 Collateral Series (Interest Bearing), each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2003 Interest Bearing Collateral Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified herein and are to mature on the Termination Date (as such term is defined in the Credit Agreement); and (ii) a new series of bonds, to be designated First Mortgage

Bonds, 2003 Collateral Series (Zero Rate), each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2003 Zero Rate Collateral Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to mature on the Termination Date (as such term is defined in the Credit Agreement); and

WHEREAS, each of the registered bonds without coupons of the 2003 Interest Bearing Collateral Bonds and the Trustee's Authentication Certificate thereon and the 2003 Zero Rate Collateral Bonds and the Trustee's Authentication Certificate thereon are to be substantially in the following forms, to wit:

[FORM OF REGISTERED BOND

OF THE 2003 INTEREST BEARING COLLATERAL BONDS]

[FACE]

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
2003 COLLATERAL SERIES (INTEREST BEARING)

No. 1 $37,500,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Bank One, NA, as agent (in such capacity, the "Agent") for the Banks under and as defined in the Credit Agreement dated as of March 27, 2003 among the Company, the Banks and the Agent (as amended or otherwise modified from time to time, the "Credit Agreement"), or registered assigns, the principal sum of Thirty-Seven Million Five Hundred Thousand Dollars ($37,500,000) or such lesser principal amount as shall be equal to the IB Percentage (as defined below) of the aggregate principal amount of the Loans (as defined in the Credit Agreement) and Reimbursement Obligations (as defined in the Credit Agreement) included in the Obligations (as defined in the Credit Agreement) outstanding on the Termination Date (as defined in the Credit Agreement) (the "Maturity Date"), but not in excess, however, of the principal amount of this bond, and to pay interest thereon at the Interest Rate (as defined below) until the principal hereof is paid or duly made available for payment on the Maturity Date, or, in the event of redemption of this bond, until the redemption date, or, in the event of default in the payment of the principal hereof, until the Company's obligations with respect to the payment of such principal shall be discharged as provided in the Indenture (as defined on the reverse hereof). Interest on this bond shall be payable on each Interest Payment Date (as defined below), commencing on the first Interest Payment Date next succeeding March 27, 2003. If the Maturity Date falls on a day which is not a Business Day, as defined below, principal and any interest and/or fees payable with respect to the Maturity Date will be paid on the immediately preceding Business Day. The interest payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the person in whose name this bond (or one or more predecessor bonds) is registered at the close of business on the Record Date (as defined below); provided, however, that interest payable on the Maturity Date will be payable to the person to whom the principal hereof shall be payable. Should the Company default in the payment of interest ("Defaulted Interest"), the Defaulted Interest shall be paid to the person in whose name this bond (or one or more predecessor bonds) is registered on a subsequent record date fixed by the Company, which subsequent record date shall be fifteen (15) days prior to the payment of such Defaulted Interest. As used herein, (A) "Business Day" shall mean any day, other than a Saturday or Sunday, on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system; (B) "IB Percentage" means the

difference between 100% and the ZR Percentage (as defined below); (C) "Interest Payment Date" shall mean each date on which Obligations constituting interest and/or fees are due and payable from time to time pursuant to the Credit Agreement; (D) "Interest Rate" shall mean a rate of interest per annum, adjusted as necessary, to result in an interest payment equal to the aggregate amount of Obligations constituting interest and fees due under the Credit Agreement on the applicable Interest Payment Date; (E) "Record Date" with respect to any Interest Payment Date shall mean the day (whether or not a Business Day) immediately next preceding such Interest Payment Date; and (F) "ZR Percentage" means the percentage (rounded, if necessary, to the nearest or, if there is no nearest, the next higher 1/10 of 1%) which (x) the Discounted Amount (as defined in the Credit Agreement) of the outstanding Zero Rate Bonds (as defined in the Credit Agreement) is of (y) the sum of the Discounted Amount of the outstanding Zero Rate Bonds and the Face Amount (as defined in the Credit Agreement) of the outstanding First Mortgage Bonds, 2003 Collateral Series (Interest Bearing).

Payment of the principal of and interest on this bond will be made in immediately available funds at the office or agency of the Company maintained for that purpose in the City Jackson, Michigan, in such coin or currency of the United States of America as at the time payment is legal tender for payment of public and private debts.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By________________________
Printed___________________
Title_____________________

Attest: _________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By_________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
2003 COLLATERAL SERIES (INTEREST BEARING)

This bond is one of the bonds of a series designated as First Mortgage Bonds, 2003 Collateral Series (Interest Bearing) (sometimes herein referred to as the "2003 Interest Bearing Collateral Bonds") issued under and in accordance with and secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2003 Interest Bearing Collateral Bonds are to be issued and delivered to the Agent in order to evidence and secure the obligation of the Company under the Credit Agreement to make payments to the Banks under the Credit Agreement and to provide the Banks the benefit of the lien of the Indenture with respect to the 2003 Interest Bearing Collateral Bonds.

The obligation of the Company to make payments with respect to the principal of 2003 Interest Bearing Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations included in the IB Percentage of the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations means that if any payment is made on the principal of the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations, a corresponding payment obligation with respect to the principal of the 2003 Interest Bearing Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations discharges the outstanding obligation with respect to such IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations. No such payment of principal shall reduce the principal amount of the 2003 Interest Bearing Collateral Bonds.

The obligation of the Company to make payments with respect to the interest on 2003 Interest Bearing Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the IB Percentage of the then due interest and/or fees under the Credit Agreement shall have been fully or partially

paid. Satisfaction of any obligation to the extent that payment is made with respect to the IB Percentage of the interest and/or fees under the Credit Agreement means that if any payment is made on the interest and/or fees under the Credit Agreement, a corresponding payment obligation with respect to the interest on the 2003 Interest Bearing Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations discharges the outstanding obligation with respect to such IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on this bond, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2003 Interest Bearing Collateral Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent in connection with the Obligations pursuant to the Credit Agreement, and (iii) the IB Percentage of the amount of the arrearage.

If an Event of Default (as defined in the Credit Agreement) with respect to the payment of the principal of the Loans and/or the Reimbursement Obligations shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the principal of the 2003 Interest Bearing Collateral Bonds equal to the IB Percentage of the amount of such unpaid principal or Reimbursement Obligations (but in no event in excess of the principal amount of the 2003 Interest Bearing Collateral Bonds). If an Event of Default (as defined in the Credit Agreement) with respect to the payment of interest on the Loans and/or the Reimbursement Obligations or any fees shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the interest on the 2003 Interest Bearing Collateral Bonds equal to the IB Percentage of the amount of such unpaid interest or fees.

This bond is not redeemable except upon written demand of the Agent following the occurrence of an Event of Default under the Credit Agreement and the acceleration of the Obligations, as provided in Section 9.2 of the Credit Agreement. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less

than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2003 Interest Bearing Collateral Bonds or any other series created after the Sixty-eighth Supplemental Indenture, to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

The Agent shall surrender this bond to the Trustee when all of the principal of and interest on the Loans and Reimbursement Obligations arising under the Credit Agreement, and all of the fees payable pursuant to the Credit Agreement with respect to the Obligations shall have been duly paid, and the Credit Agreement shall have been terminated.

[END OF FORM OF REGISTERED BOND

OF THE 2003 INTEREST BEARING COLLATERAL BONDS]

[FORM OF REGISTERED BOND

OF THE 2003 ZERO RATE COLLATERAL BONDS]

[FACE]

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
2003 COLLATERAL SERIES (ZERO RATE)

No. 1 $227,500,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Bank One, NA, as agent (in such capacity, the "Agent") for the Banks under and as defined in the Credit Agreement dated as of March 27, 2003 among the Company, the Banks and the Agent (as amended or otherwise modified from time to time, the "Credit Agreement"), or registered assigns, the principal sum of Two Hundred Twenty-Seven Million Five Hundred Thousand Dollars ($227,500,000) or such lesser principal amount as shall be equal to the ZR Percentage (as defined below) of the aggregate Obligations (as defined in the Credit Agreement) consisting of (x) the principal amount of the Loans (as defined in the Credit Agreement), (y) the Reimbursement Obligations (as defined in the Credit Agreement) and (z) unpaid interest and fees under the Credit Agreement. Such amount shall be payable on or before the Termination Date (as defined in the Credit Agreement) (the "Maturity Date"). Any payment of interest and/or fees under the Credit Agreement shall be considered a reduction of the principal amount hereof in an amount equal to the ZR Percentage of such interest and/or fees and shall reduce the principal amount hereof by such amount. If the Maturity Date falls on a day which is not a Business Day, as defined below, all amounts payable on the Maturity Date will be paid on the immediately preceding Business Day. As used herein, (A) "Business Day" shall mean any day, other than a Saturday or Sunday, on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system; (B) "ZR Percentage" means the percentage (rounded, if necessary, to the nearest or, if there is no nearest, the next higher 1/10 of 1%) which (x) the Discounted Amount (as defined in the Credit Agreement) of the outstanding First Mortgage Bonds, 2003 Collateral Series (Zero Rate) is of (y) the sum of the Discounted Amount of the outstanding First Mortgage Bonds, 2003 Collateral Series (Zero Rate) and the Face Amount (as defined in the Credit Agreement) of the outstanding First Mortgage Bonds, 2003 Collateral Series (Interest Bearing).

Payment of the principal of this bond will be made in immediately available funds at the office or agency of the Company maintained for that purpose in the City of Jackson, Michigan, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. In the event the Company shall fail to pay the principal amount of this bond at maturity, whether by acceleration or otherwise, such principal amount

shall bear interest until paid in full at a rate per annum equal to the Floating Rate (as defined in the Credit Agreement) plus 1%.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By______________________________
Printed_________________________
Title___________________________

Attest: _________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By__________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
2003 COLLATERAL SERIES (ZERO RATE)

This bond is one of the bonds of a series designated as First Mortgage Bonds, 2003 Collateral Series (Zero Rate) (sometimes herein referred to as the "2003 Zero Rate Collateral Bonds") issued under and in accordance with and secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2003 Zero Rate Collateral Bonds are to be issued and delivered to the Agent in order to evidence and secure the obligation of the Company under the Credit Agreement to make payments to the Banks and to provide the Banks the benefit of the lien of the Indenture with respect to the 2003 Zero Rate Collateral Bonds.

The obligation of the Company to make payments with respect to the principal of 2003 Zero Rate Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the ZR Percentage of the Loans and/or the ZR Percentage of the Reimbursement Obligations, and the then-due ZR Percentage of payment obligations with respect to interest and/or fees under the Credit Agreement, shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the ZR Percentage of the Loans, the ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of interest and/or fees under the Credit Agreement means that if any payment is made on the principal of the ZR Percentage of the Loans and/or the ZR Percentage of the Reimbursement Obligations, or if any payment is made on the ZR Percentage of the interest and/or fees under the Credit Agreement, a corresponding payment obligation with respect to the principal of the 2003 Zero Rate Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the ZR Percentage of the Loans, the ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of the interest and/or fees discharges the outstanding obligation with respect to such ZR Percentage of the Loans, ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of the interest and/or fees. No payment of principal of the 2003 Zero Rate Collateral Bonds attributable to any payment of the principal of Loans or Reimbursement Obligations shall reduce the principal amount of the 2003 Zero Rate Collateral Bonds, but any payment of

principal of the 2003 Zero Rate Collateral Bonds attributable to any payment of interest or fees under the Credit Agreement shall reduce the principal of the 2003 Zero Rate Collateral Bonds.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of this bond, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal on the 2003 Zero Rate Collateral Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent in connection with the Obligations pursuant to the Credit Agreement, and (iii) the ZR Percentage of the amount of the arrearage.

If an Event of Default (as defined in the Credit Agreement) with respect to the payment of the principal of the Loans and/or the Reimbursement Obligations and/or any interest or fees shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the principal of the 2003 Zero Rate Collateral Bonds equal to the ZR Percentage of the amount of such unpaid principal, Reimbursement Obligations, interest and/or fees (but in no event in excess of the principal amount of the 2003 Zero Rate Collateral Bonds).

This bond is not redeemable except upon written demand of the Agent following the occurrence of an Event of Default under the Credit Agreement and the acceleration of the Obligations, as provided in Section 9.2 of the Credit Agreement. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2003 Zero Rate Collateral Bonds or any other series created after the Sixty-eighth Supplemental Indenture, to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than

any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

The Agent shall surrender this bond to the Trustee when all of the principal of and interest on the Loans and Reimbursement Obligations arising under the Credit Agreement, and all of the fees payable pursuant to the Credit Agreement with respect to the Obligations shall have been duly paid, and the Credit Agreement shall have been terminated.

[END OF FORM OF REGISTERED BOND

OF THE 2003 ZERO RATE COLLATERAL BONDS]

AND WHEREAS all acts and things necessary to make the 2003 Interest Bearing Collateral Bonds and the 2003 Zero Rate Collateral Bonds (collectively referred to herein as, the "Collateral Bonds"), when duly executed by the Company and authenticated by the Trustee or its agent and issued as prescribed in the Indenture, as heretofore supplemented and amended, and this Supplemental Indenture provided, the valid, binding and legal obligations of the Company, and to constitute the Indenture, as supplemented and amended as aforesaid, as well as by this Supplemental Indenture, a valid, binding and legal instrument for the security thereof, have been done and performed, and the creation, execution and delivery of this Supplemental Indenture and the creation, execution and issuance of bonds subject to the terms hereof and of the Indenture, as so supplemented and amended, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, of the acceptance and purchase by the holders thereof of the bonds issued and to be issued under the Indenture, as supplemented and amended as above set forth, and of the sum of One Dollar duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and premium, if any, and interest on all bonds now outstanding under the Indenture and the $37,500,000 principal amount of the 2003 Interest Bearing Collateral Bonds and the $227,500,000 principal amount of the 2003 Zero Rate Collateral Bonds and all other bonds which shall be issued under the Indenture, as supplemented and amended from time to time, and for the purpose of securing the faithful performance and observance of all covenants and conditions therein, and in any indenture supplemental thereto, set forth, the Company has given, granted, bargained, sold, released, transferred, assigned, hypothecated, pledged, mortgaged, confirmed, set over, warranted, alienated and conveyed and by these presents does give, grant, bargain, sell, release, transfer, assign, hypothecate, pledge, mortgage, confirm, set over, warrant, alien and convey unto JPMorgan Chase Bank, as Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created and to its or their assigns forever, all the right, title and interest of the Company in and to all the property, described in Section 11 hereof, together (subject to the provisions of Article X of the Indenture) with the tolls, rents, revenues, issues, earnings, income, products and profits thereof, excepting, however, the property, interests and rights specifically excepted from the lien of the Indenture as set forth in the Indenture.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the premises, property, franchises and rights, or any thereof, referred to in the foregoing granting clause, with the reversion and reversions, remainder and remainders and (subject to the provisions of Article X of the Indenture) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, franchises and rights and every part and parcel thereof.

SUBJECT, HOWEVER, with respect to such premises, property, franchises and rights, to excepted encumbrances as said term is defined in Section 1.02 of the Indenture, and subject also to all defects and limitations of title and to all encumbrances existing at the time of acquisition. TO HAVE AND TO HOLD all said premises, property, franchises and rights hereby conveyed,

assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale for the equal and proportionate benefit and security of the holders of all bonds now or hereafter authenticated and delivered under and secured by the Indenture and interest coupons appurtenant thereto, pursuant to the provisions of the Indenture and of any supplemental indenture, and for the enforcement of the payment of said bonds and coupons when payable and the performance of and compliance with the covenants and conditions of the Indenture and of any supplemental indenture, without any preference, distinction or priority as to lien or otherwise of any bond or bonds over others by reason of the difference in time of the actual authentication, delivery, issue, sale or negotiation thereof or for any other reason whatsoever, except as otherwise expressly provided in the Indenture; and so that each and every bond now or hereafter authenticated and delivered thereunder shall have the same lien, and so that the principal of and premium, if any, and interest on every such bond shall, subject to the terms thereof, be equally and proportionately secured, as if it had been made, executed, authenticated, delivered, sold and negotiated simultaneously with the execution and delivery thereof.

AND IT IS EXPRESSLY DECLARED by the Company that all bonds authenticated and delivered under and secured by the Indenture, as supplemented and amended as above set forth, are to be issued, authenticated and delivered, and all said premises, property, franchises and rights hereby and by the Indenture and indentures supplemental thereto conveyed, assigned, pledged or mortgaged, or intended so to be, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in the Indenture, as supplemented and amended as above set forth, and the parties hereto mutually agree as follows:

SECTION 1. There is hereby created two (2) series of bonds (the "2003 Interest Bearing Collateral Bonds" and the "2003 Zero Rate Collateral Bonds") designated as hereinabove provided, both of which shall also bear the descriptive title "First Mortgage Bond", and the forms thereof shall be substantially as hereinbefore set forth (collectively, the "Sample Bonds"). The 2003 Interest Bearing Collateral Bonds shall be issued in the aggregate principal amount of $37,500,000, shall mature on the Termination Date (as such term is defined in the Credit Agreement) and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The 2003 Zero Rate Collateral Bonds shall be issued in the aggregate principal amount of $227,500,000, shall mature on the Termination Date (as such term is defined in the Credit Agreement) and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The serial numbers of the Collateral Bonds shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The Collateral Bonds are to be issued to and registered in the name of the Agent under the Credit Agreement (as such terms are defined in the Sample Bonds) to evidence and secure any and all Obligations (as such term is defined in the Credit Agreement) of the Company under the Credit Agreement.

The 2003 Interest Bearing Collateral Bonds shall bear interest as set forth in the Form of Registered Bond of the 2003 Interest Bearing Collateral Bonds hereinbefore set forth (the

"Interest Bearing Sample Bond"). The principal of and the interest on said bonds shall be payable as set forth in the Interest Bearing Sample Bond. The principal of the 2003 Zero Rate Collateral Bonds shall be payable as set forth in the Form of Registered Bond of the 2003 Zero Rate Collateral Bonds hereinbefore set forth (the "Zero Rate Sample Bond"). All payments of interest with respect to the Obligations shall be applied to the Collateral Bonds according to the IB Percentage (in the case of the 2003 Interest Bearing Collateral Bonds) or the ZR Percentage (in the case of the 2003 Zero Rate Collateral Bonds), as applicable. "IB Percentage" and "ZR Percentage" shall have the meanings assigned to such terms in the Interest Bearing Sample Bond and the Zero Rate Sample Bond, respectively.

The obligation of the Company to make payments with respect to the principal of 2003 Interest Bearing Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations included in the IB Percentage of the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations means that if any payment is made on the principal of the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations, a corresponding payment obligation with respect to the principal of the 2003 Interest Bearing Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations discharges the outstanding obligation with respect to such IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations. No such payment of principal shall reduce the principal amount of the 2003 Interest Bearing Collateral Bonds.

The obligation of the Company to make payments with respect to the interest on 2003 Interest Bearing Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the IB Percentage of the then due interest and/or fees under the Credit Agreement shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the IB Percentage of the interest and/or fees under the Credit Agreement means that if any payment is made on the interest and/or fees under the Credit Agreement, a corresponding payment obligation with respect to the interest on the 2003 Interest Bearing Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the IB Percentage of the Loans and/or the IB Percentage of the Reimbursement Obligations discharges the outstanding obligation with respect to such IB Percentage of the Loans and/or IB Percentage of the Reimbursement Obligations.

The obligation of the Company to make payments with respect to the principal of 2003 Zero Rate Collateral Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the ZR Percentage of the Loans and/or the ZR Percentage of the Reimbursement Obligations, and the then-due ZR Percentage of payment obligations with respect to interest and/or fees under the Credit Agreement, shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the ZR Percentage of the Loans, the ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of interest and/or

fees under the Credit Agreement means that if any payment is made on the principal of the ZR Percentage of the Loans and/or the ZR Percentage of the Reimbursement Obligations, or if any payment is made on the ZR Percentage of the interest and/or fees under the Credit Agreement, a corresponding payment obligation with respect to the principal of the 2003 Zero Rate Collateral Bonds shall be deemed discharged in the same amount as the payment with respect to the ZR Percentage of the Loans, the ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of the interest and/or fees discharges the outstanding obligation with respect to such ZR Percentage of the Loans, ZR Percentage of the Reimbursement Obligations, or the ZR Percentage of the interest and/or fees. No payment of principal of the 2003 Zero Rate Collateral Bonds attributable to any payment of the principal of Loans or Reimbursement Obligations shall reduce the principal amount of the 2003 Zero Rate Collateral Bonds, but any payment of principal of the 2003 Zero Rate Collateral Bonds attributable to any payment of interest or fees under the Credit Agreement shall be applied to reduce the principal of the 2003 Zero Rate Collateral Bonds.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on the Collateral Bonds, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2003 Interest Bearing Collateral Bonds has not been made or that timely payment of principal on the 2003 Zero Rate Collateral Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Credit Agreement, and (iii) the amount of the arrearage.

The Collateral Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 2. The Collateral Bonds are not redeemable by the operation of the maintenance and replacement provisions of this Indenture or with the proceeds of released property.

SECTION 3. Upon the occurrence of an Event of Default under the Credit Agreement and the acceleration of the Obligations, the Collateral Bonds shall be redeemable in whole upon receipt by the Trustee of a written demand from the Agent stating that there has occurred under the Credit Agreement both an Event of Default and a declaration of acceleration of the Obligations and demanding redemption of the Collateral Bonds (including a description of the amount of principal, interest and fees which comprise such Obligations). The Company waives any right it may have to prior notice of such redemption under the Indenture. Upon surrender of the Collateral Bonds by the Agent to the Trustee, the Collateral Bonds shall be redeemed at a redemption price equal to the aggregate amount of the Obligations.

SECTION 4. The Company reserves the right, without any consent, vote or other action by the holder of the Collateral Bonds or of any subsequent series of bonds issued under the

Indenture, to make such amendments to the Indenture, as supplemented, as shall be necessary in order to amend Section 17.02 to read as follows:

SECTION 17.02. With the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding or their attorneys-in-fact duly authorized, or, if fewer than all series are affected, not less than a majority in principal amount of the bonds at the time outstanding of each series the rights of the holders of which are affected, voting together, the Company, when authorized by a resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or modifying the rights and obligations of the Company and the rights of the holders of any of the bonds and coupons; provided, however, that no such supplemental indenture shall (1) extend the maturity of any of the bonds or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected, or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the bonds then outstanding, or (3) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the bonds then outstanding. For the purposes of this Section, bonds shall be deemed to be affected by a supplemental indenture if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against its property. The Trustee may in its discretion determine whether or not, in accordance with the foregoing, bonds of any particular series would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of bonds of such series and all other series. Subject to the provisions of Sections 16.02 and 16.03 hereof, the Trustee shall not be liable for any determination made in good faith in connection herewith.

Upon the written request of the Company, accompanied by a resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of bondholders as aforesaid (the instrument or instruments evidencing such consent to be dated within one year of such request), the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Company and the Trustee, if they so elect, and either before or after such consent has been obtained, may require the holder of any bond consenting to the execution of any such supplemental indenture to submit his bond to the Trustee or to ask such bank, banker or trust company as may be designated by the Trustee for the purpose, for the notation thereon of the fact that the holder of such bond has consented to the execution of such supplemental indenture, and in such case such notation, in form satisfactory to the Trustee, shall be made upon all bonds so submitted, and such bonds bearing such notation shall forthwith be returned to the persons entitled thereto.

Prior to the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in one daily newspaper of general circulation in each city in which the principal of any of the bonds shall be payable, or, if all bonds outstanding shall be registered bonds without coupons or coupon bonds registered as to principal, such notice shall be sufficiently given if mailed, first class, postage prepaid, and registered if the Company so elects, to each registered holder of bonds at the last address of such holder appearing on the registry books, such publication or mailing, as the case may be, to be made not less than thirty days prior to such execution. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 5. As supplemented and amended as above set forth, the Indenture is in all respects ratified and confirmed, and the Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 6. Nothing contained in this Supplemental Indenture shall, or shall be construed to, confer upon any person other than a holder of bonds issued under the Indenture, as supplemented and amended as above set forth, the Company, the Trustee and the Agent, for the benefit of the Banks (as such term is defined in the Credit Agreement), any right or interest to avail himself of any benefit under any provision of the Indenture, as so supplemented and amended.

SECTION 7. The Trustee assumes no responsibility for or in respect of the validity or sufficiency of this Supplemental Indenture or of the Indenture as hereby supplemented or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein (other than those contained in the sixth, seventh and eighth recitals hereof), all of which recitals and statements are made solely by the Company.

SECTION 8. This Supplemental Indenture may be simultaneously executed in several counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

SECTION 9. In the event the date of any notice required or permitted hereunder shall not be a Business Day, then (notwithstanding any other provision of the Indenture or of any supplemental indenture thereto) such notice need not be made on such date, but may be made on

the next succeeding Business Day with the same force and effect as if made on the date fixed for such notice. "Business Day" means, with respect to this Section 9, any day, other than a Saturday or Sunday, on which banks generally are open in Chicago, Illinois and New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system.

SECTION 10. This Supplemental Indenture and the Collateral Bonds shall be governed by and deemed to be a contract under, and construed in accordance with, the laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

SECTION 11. Detailed Description of Property Mortgaged:

I.

ELECTRIC GENERATING PLANTS AND DAMS

All the electric generating plants and stations of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including all powerhouses, buildings, reservoirs, dams, pipelines, flumes, structures and works and the land on which the same are situated and all water rights and all other lands and easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such plants and stations or any of them, or adjacent thereto.

II.

ELECTRIC TRANSMISSION LINES

All the electric transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including towers, poles, pole lines, wires, switches, switch racks, switchboards, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation. Also all the real property, rights of way, easements, permits, privileges and rights for or relating to the construction, maintenance or operation of certain transmission lines, the land and rights for which are owned by the Company, which are either not built or now being constructed.

III.

ELECTRIC DISTRIBUTION SYSTEMS

All the electric distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including substations, transformers, switchboards, towers, poles, wires, insulators, subways, trenches, conduits, manholes, cables, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IV.

ELECTRIC SUBSTATIONS, SWITCHING STATIONS AND SITES

All the substations, switching stations and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for transforming, regulating, converting or distributing or otherwise controlling electric current at any of its plants and elsewhere, together with all buildings, transformers, wires, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such substations and switching stations, or adjacent thereto, with sites to be used for such purposes.

V.

GAS COMPRESSOR STATIONS, GAS PROCESSING PLANTS, DESULPHURIZATION STATIONS, METERING STATIONS, ODORIZING STATIONS, REGULATORS AND SITES

All the compressor stations, processing plants, desulphurization stations, metering stations, odorizing stations, regulators and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for compressing, processing, desulphurizing, metering, odorizing and regulating manufactured or natural gas at any of its plants and elsewhere, together with all buildings, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such purposes, with sites to be used for such purposes.

VI.

GAS STORAGE FIELDS

The natural gas rights and interests of the Company, including wells and well lines (but not including natural gas, oil and minerals), the gas gathering system, the underground gas storage rights, the underground gas storage wells and injection and withdrawal system used in connection therewith, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture: In the Overisel Gas Storage Field, located in the Township of Overisel, Allegan County, and in the Township of Zeeland, Ottawa County, Michigan; in the Northville Gas Storage Field located in the Township of Salem, Washtenaw County, Township of Lyon, Oakland County, and the Townships of Northville and Plymouth and City of Plymouth, Wayne County, Michigan; in the Salem Gas Storage Field, located in the Township of Salem, Allegan County, and in the Township of Jamestown, Ottawa County, Michigan; in the Ray Gas Storage Field, located in the Townships of Ray and Armada, Macomb County, Michigan; in the Lenox Gas Storage Field, located in the Townships of Lenox and Chesterfield, Macomb County, Michigan; in the Ira Gas Storage Field, located in the Township of Ira, St. Clair County, Michigan; in the Puttygut Gas Storage Field, located in the Township of Casco, St. Clair County, Michigan; in the Four Corners Gas Storage Field, located in the Townships of Casco, China, Cottrellville and Ira, St. Clair County, Michigan; in the Swan Creek Gas Storage Field, located in the Township of Casco and Ira, St. Clair County, Michigan; and in the Hessen Gas Storage Field, located in the Townships of Casco and Columbus, St. Clair, Michigan.

VII.

GAS TRANSMISSION LINES

All the gas transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including gas mains, pipes, pipelines, gates, valves, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, right of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

VIII.

GAS DISTRIBUTION SYSTEMS

All the gas distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including tunnels, conduits, gas mains and pipes, service pipes, fittings, gates, valves, connections, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all

real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IX.

OFFICE BUILDINGS, SERVICE BUILDINGS, GARAGES, ETC.

All office, garage, service and other buildings of the Company, wherever located, in the State of Michigan, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, together with the land on which the same are situated and all easements, rights of way and appurtenances to said lands, together with all furniture and fixtures located in said buildings.

X.

TELEPHONE PROPERTIES AND
RADIO COMMUNICATION EQUIPMENT

All telephone lines, switchboards, systems and equipment of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, used or available for use in the operation of its properties, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such telephone properties or any of them or adjacent thereto; together with all real estate, rights of way, easements, permits, privileges, franchises, property, devices or rights related to the dispatch, transmission, reception or reproduction of messages, communications, intelligence, signals, light, vision or sound by electricity, wire or otherwise, including all telephone equipment installed in buildings used as general and regional offices, substations and generating stations and all telephone lines erected on towers and poles; and all radio communication equipment of the Company, together with all property, real or personal (except any in the Indenture expressly excepted), fixed stations, towers, auxiliary radio buildings and equipment, and all appurtenances used in connection therewith, wherever located, in the State of Michigan.

XI.

OTHER REAL PROPERTY

All other real property of the Company and all interests therein, of every nature and description (except any in the Indenture expressly excepted) wherever located, in the State of Michigan, acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture. Such real property includes but is not limited to the following described property, such property is subject to any interests that were excepted or reserved in the conveyance to the Company:

ALCONA COUNTY

Certain land in Caledonia Township, Alcona County, Michigan described as:

The East 330 feet of the South 660 feet of the SW 1/4 of the SW 1/4 of Section 8, T28N, R8E, except the West 264 feet of the South 330 feet thereof; said land being more particularly described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section, run thence East along the South line of said section 1243 feet to the place of beginning of this description, thence continuing East along said South line of said section 66 feet to the West 1/8 line of said section, thence N 02 degrees 09' 30" E along the said West 1/8 line of said section 660 feet, thence West 330 feet, thence S 02 degrees 09' 30" W, 330 feet, thence East 264 feet, thence S 02 degrees 09' 30" W, 330 feet to the place of beginning.

ALLEGAN COUNTY

Certain land in Lee Township, Allegan County, Michigan described as:

The NE 1/4 of the NW 1/4 of Section 16, T1N, R15W.

ALPENA COUNTY

Certain land in Wilson and Green Townships, Alpena County, Michigan described as:

All that part of the S'ly 1/2 of the former Boyne City-Gaylord and Alpena Railroad right of way, being the Southerly 50 feet of a 100 foot strip of land formerly occupied by said Railroad, running from the East line of Section 31, T31N, R7E, Southwesterly across said Section 31 and Sections 5 and 6 of T30N, R7E and Sections 10, 11 and the E 1/2 of Section 9, except the West 1646 feet thereof, all in T30N, R6E.

ANTRIM COUNTY

Certain land in Mancelona Township, Antrim County, Michigan described as:

The S 1/2 of the NE 1/4 of Section 33, T29N, R6W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the State of Michigan to August W. Schack and Emma H. Schack, his wife, dated April 15, 1946 and recorded May 20, 1946 in Liber 97 of Deeds on page 682 of Antrim County Records.

ARENAC COUNTY

Certain land in Standish Township, Arenac County, Michigan described as:

A parcel of land in the SW 1/4 of the NW 1/4 of Section 12, T18N, R4E, described as follows: To find the place of beginning of said parcel of land,

commence at the Northwest corner of Section 12, T18N, R4E; run thence South along the West line of said section, said West line of said section being also the center line of East City Limits Road 2642.15 feet to the W 1/4 post of said section and the place of beginning of said parcel of land; running thence N 88 degrees 26' 00" E along the East and West 1/4 line of said section, 660.0 feet; thence North parallel with the West line of said section, 310.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet; thence South parallel with the West line of said section, 260.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet to the West line of said section and the center line of East City Limits Road; thence South along the said West line of said section, 50.0 feet to the place of beginning.

BARRY COUNTY

Certain land in Johnstown Township, Barry County, Michigan described as:

A strip of land 311 feet in width across the SW 1/4 of the NE 1/4 of Section 31, T1N, R8W, described as follows: To find the place of beginning of this description, commence at the E 1/4 post of said section; run thence N 00 degrees 55' 00" E along the East line of said section, 555.84 feet; thence N 59 degrees 36' 20" W, 1375.64 feet; thence N 88 degrees 30' 00" W, 130 feet to a point on the East 1/8 line of said section and the place of beginning of this description; thence continuing N 88 degrees 30' 00" W, 1327.46 feet to the North and South 1/4 line of said section; thence S 00 degrees 39'35" W along said North and South 1/4 line of said section, 311.03 feet to a point, which said point is 952.72 feet distant N'ly from the East and West 1/4 line of said section as measured along said North and South 1/4 line of said section; thence S 88 degrees 30' 00" E, 1326.76 feet to the East 1/8 line of said section; thence N 00 degrees 47' 20" E along said East 1/8 line of said section, 311.02 feet to the place of beginning.

BAY COUNTY

Certain land in Frankenlust Township, Bay County, Michigan described as:

The South 250 feet of the N 1/2 of the W 1/2 of the W 1/2 of the SE 1/4 of Section 9, T13N, R4E.

BENZIE COUNTY

Certain land in Benzonia Township, Benzie County, Michigan described as:

A parcel of land in the Northeast 1/4 of Section 7, Township 26 North, Range 14 West, described as beginning at a point on the East line of said Section 7, said point being 320 feet North measured along the East line of said section from the East 1/4 post; running thence West 165 feet; thence North parallel with the East line of said section 165 feet; thence East 165 feet to the East line of said section; thence South 165 feet to the place of beginning.

BRANCH COUNTY

Certain land in Girard Township, Branch County, Michigan described as:

A parcel of land in the NE 1/4 of Section 23 T5S, R6W, described as beginning at a point on the North and South quarter line of said section at a point 1278.27 feet distant South of the North quarter post of said section, said distance being measured along the North and South quarter line of said section, running thence S89 degrees21'E 250 feet, thence North along a line parallel with the said North and South quarter line of said section 200 feet, thence N89 degrees21'W 250 feet to the North and South quarter line of said section, thence South along said North and South quarter line of said section 200 feet to the place of beginning.

CALHOUN COUNTY

Certain land in Convis Township, Calhoun County, Michigan described as:

A parcel of land in the SE 1/4 of the SE 1/4 of Section 32, T1S, R6W, described as follows: To find the place of beginning of this description, commence at the Southeast corner of said section; run thence North along the East line of said section 1034.32 feet to the place of beginning of this description; running thence N 89 degrees 39' 52" W, 333.0 feet; thence North 290.0 feet to the South 1/8 line of said section; thence S 89 degrees 39' 52" E along said South 1/8 line of said section 333.0 feet to the East line of said section; thence South along said East line of said section 290.0 feet to the place of beginning. (Bearings are based on the East line of Section 32, T1S, R6W, from the Southeast corner of said section to the Northeast corner of said section assumed as North.)

CASS COUNTY

Certain easement rights located across land in Marcellus Township, Cass Michigan County, described as:

The East 6 rods of the SW 1/4 of the SE 1/4 of Section 4, T5S, R13W.

CHARLEVOIX COUNTY

Certain land in South Arm Township, Charlevoix County, Michigan described as:

A parcel of land in the SW 1/4 of Section 29, T32N, R7W, described as follows: Beginning at the Southwest corner of said section and running thence North along the West line of said section 788.25 feet to a point which is 528 feet distant South of the South 1/8 line of said section as measured along the said West line of said section; thence N 89 degrees 30' 19" E, parallel with said South 1/8 line of said section 442.1 feet; thence South 788.15 feet to the South line of said section; thence S 89 degrees 29' 30" W, along said South line of said section 442.1 feet to the place of beginning.

CHEBOYGAN COUNTY

Certain land in Inverness Township, Cheboygan County, Michigan described as:

A parcel of land in the SW frl 1/4 of Section 31, T37N, R2W, described as beginning at the Northwest corner of the SW frl 1/4, running thence East on the East and West quarter line of said Section, 40 rods, thence South parallel to the West line of said Section 40 rods, thence West 40 rods to the West line of said Section, thence North 40 rods to the place of beginning.

CLARE COUNTY

Certain land in Frost Township, Clare County, Michigan described as:

The East 150 feet of the North 225 feet of the NW 1/4 of the NW 1/4 of Section 15, T20N, R4W.

CLINTON COUNTY

Certain land in Watertown Township, Clinton County, Michigan described as:

The NE 1/4 of the NE 1/4 of the SE 1/4 of Section 22, and the North 165 feet of the NW 1/4 of the NE 1/4 of the SE 1/4 of Section 22, T5N, R3W.

CRAWFORD COUNTY

Certain land in Lovells Township, Crawford County, Michigan described as:

A parcel of land in Section 1, T28N, R1W, described as: Commencing at NW corner said section; thence South 89 degrees53'30" East along North section line 105.78 feet to point of beginning; thence South 89 degrees53'30" East along North section line 649.64 feet; thence South 55 degrees 42'30" East 340.24 feet; thence South 55 degrees 44' 37"" East 5,061.81 feet to the East section line; thence South 00 degrees 00' 08"" West along East section line 441.59 feet; thence North 55 degrees 44' 37" West 5,310.48 feet; thence North 55 degrees 42'30" West 877.76 feet to point of beginning.

EATON COUNTY

Certain land in Eaton Township, Eaton County, Michigan described as:

A parcel of land in the SW 1/4 of Section 6, T2N, R4W, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence N 89 degrees 51' 30" E along the South line of said section 400 feet to the place of beginning of this description; thence continuing N 89 degrees 51' 30" E, 500 feet; thence N 00 degrees 50' 00" W, 600 feet; thence S 89 degrees 51' 30" W parallel with the South line of said section 500 feet; thence S 00 degrees 50' 00" E, 600 feet to the place of beginning.

EMMET COUNTY

Certain land in Wawatam Township, Emmet County, Michigan described as:

The West 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 23, T39N, R4W.

GENESEE COUNTY

Certain land in Argentine Township, Genesee County, Michigan described as:

A parcel of land of part of the SW 1/4 of Section 8, T5N, R5E, being more particularly described as follows:

Beginning at a point of the West line of Duffield Road, 100 feet wide, (as now established) distant 829.46 feet measured N01 degrees42'56"W and 50 feet measured S88 degrees14'04"W from the South quarter corner, Section 8, T5N, R5E; thence S88 degrees14'04"W a distance of 550 feet; thence N01 degrees42'56"W a distance of 500 feet to a point on the North line of the South half of the Southwest quarter of said Section 8; thence N88 degrees14'04"E along the North line of South half of the Southwest quarter of said Section 8 a distance 550 feet to a point on the West line of Duffield Road, 100 feet wide (as now established); thence S01 degrees42'56"E along the West line of said Duffield Road a distance of 500 feet to the point of beginning.

GLADWIN COUNTY

Certain land in Secord Township, Gladwin County, Michigan described as:

The East 400 feet of the South 450 feet of Section 2, T19N, R1E.

GRAND TRAVERSE COUNTY

Certain land in Mayfield Township, Grand Traverse County, Michigan described as:

A parcel of land in the Northwest 1/4 of Section 3, T25N, R11W, described as follows: Commencing at the Northwest corner of said section, running thence S 89 degrees19'15" E along the North line of said section and the center line of Clouss Road 225 feet, thence South 400 feet, thence N 89 degrees19'15" W 225 feet to the West line of said section and the center line of Hannah Road, thence North along the West line of said section and the center line of Hannah Road 400 feet to the place of beginning for this description.

GRATIOT COUNTY

Certain land in Fulton Township, Gratiot County, Michigan described as:

A parcel of land in the NE 1/4 of Section 7, Township 9 North, Range 3 West, described as beginning at a point on the North line of George Street in the Village of Middleton, which is 542 feet East of the North and South one-quarter (1/4) line of said Section 7; thence North 100 feet; thence East 100 feet; thence South 100 feet to the North line of George Street; thence West along the North line of George Street 100 feet to place of beginning.

HILLSDALE COUNTY

Certain land in Litchfield Village, Hillsdale County, Michigan described as:

Lot 238 of Assessors Plat of the Village of Litchfield.

HURON COUNTY

Certain easement rights located across land in Sebewaing Township, Huron County, Michigan described as:

The North 1/2 of the Northwest 1/4 of Section 15, T15N, R9E.

INGHAM COUNTY

Certain land in Vevay Township, Ingham County, Michigan described as:

A parcel of land 660 feet wide in the Southwest 1/4 of Section 7 lying South of the centerline of Sitts Road as extended to the North-South 1/4 line of said Section 7, T2N, R1W, more particularly described as follows: Commence at the Southwest corner of said Section 7, thence North along the West line of said Section 2502.71 feet to the centerline of Sitts Road; thence South 89 degrees54'45" East along said centerline 2282.38 feet to the place of beginning of this description; thence continuing South 89 degrees54'45" East along said centerline and said centerline extended 660.00 feet to the North-South 1/4 line of said section; thence South 00 degrees07'20" West 1461.71 feet; thence North 89 degrees34'58" West 660.00 feet; thence North 00 degrees07'20" East 1457.91 feet to the centerline of Sitts Road and the place of beginning.

IONIA COUNTY

Certain land in Sebewa Township, Ionia County, Michigan described as:

A strip of land 280 feet wide across that part of the SW 1/4 of the NE 1/4 of Section 15, T5N, R6W, described as follows:

To find the place of beginning of this description commence at the E 1/4 corner of said section; run thence N 00 degrees 05' 38" W along the East line of

said section, 1218.43 feet; thence S 67 degrees 18' 24" W, 1424.45 feet to the East 1/8 line of said section and the place of beginning of this description; thence continuing S 67 degrees 18' 24" W, 1426.28 feet to the North and South 1/4 line of said section at a point which said point is 105.82 feet distant N'ly of the center of said section as measured along said North and South 1/4 line of said section; thence N 00 degrees 04' 47" E along said North and South 1/4 line of said section, 303.67 feet; thence N 67 degrees 18' 24" E, 1425.78 feet to the East 1/8 line of said section; thence S 00 degrees 00' 26" E along said East 1/8 line of said section, 303.48 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R6W, from the E 1/4 corner of said section to the Northeast corner of said section assumed as N 00 degrees 05' 38" W.)

IOSCO COUNTY

Certain land in Alabaster Township, Iosco County, Michigan described as:

A parcel of land in the NW 1/4 of Section 34, T21N, R7E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence South along the North and South 1/4 line of said section, 1354.40 feet to the place of beginning of this description; thence continuing South along the said North and South 1/4 line of said section, 165.00 feet to a point on the said North and South 1/4 line of said section which said point is 1089.00 feet distant North of the center of said section; thence West 440.00 feet; thence North 165.00 feet; thence East 440.00 feet to the said North and South 1/4 line of said section and the place of beginning.

ISABELLA COUNTY

Certain land in Chippewa Township, Isabella County, Michigan described as:

The North 8 rods of the NE 1/4 of the SE 1/4 of Section 29, T14N, R3W.

JACKSON COUNTY

Certain land in Waterloo Township, Jackson County, Michigan described as:

A parcel of land in the North fractional part of the N fractional 1/2 of Section 2, T1S, R2E, described as follows: To find the place of beginning of this description commence at the E 1/4 post of said section; run thence N 01 degrees 03' 40" E along the East line of said section 1335.45 feet to the North 1/8 line of said section and the place of beginning of this description; thence N 89 degrees 32' 00" W, 2677.7 feet to the North and South 1/4 line of said section; thence S 00 degrees 59' 25" W along the North and South 1/4 line of said section 22.38 feet to the North 1/8 line of said section; thence S 89 degrees 59' 10" W along the North 1/8 line of said section 2339.4 feet to the center line of State Trunkline Highway M-52; thence N 53 degrees 46' 00" W along the center line of said State Trunkline Highway 414.22 feet to the West line of said section; thence N 00 degrees 55' 10" E along the West line of said section 74.35 feet; thence S 89

degrees 32' 00" E, 5356.02 feet to the East line of said section; thence S 01 degrees 03' 40" W along the East line of said section 250 feet to the place of beginning.

KALAMAZOO COUNTY

Certain land in Alamo Township, Kalamazoo County, Michigan described as:

The South 350 feet of the NW 1/4 of the NW 1/4 of Section 16, T1S, R12W, being more particularly described as follows: To find the place of beginning of this description, commence at the Northwest corner of said section; run thence S 00 degrees 36' 55" W along the West line of said section 971.02 feet to the place of beginning of this description; thence continuing S 00 degrees 36' 55" W along said West line of said section 350.18 feet to the North 1/8 line of said section; thence S 87 degrees 33' 40" E along the said North 1/8 line of said section 1325.1 feet to the West 1/8 line of said section; thence N 00 degrees 38' 25" E along the said West 1/8 line of said section 350.17 feet; thence N 87 degrees 33' 40" W, 1325.25 feet to the place of beginning.

KALKASKA COUNTY

Certain land in Kalkaska Township, Kalkaska County, Michigan described as:

The NW 1/4 of the SW 1/4 of Section 4, T27N, R7W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the Department of Conservation for the State of Michigan to George Welker and Mary Welker, his wife, dated October 9, 1934 and recorded December 28, 1934 in Liber 39 on page 291 of Kalkaska County Records, and subject to easement for pipeline purposes as granted to Michigan Consolidated Gas Company by first party herein on April 4, 1963 and recorded June 21, 1963 in Liber 91 on page 631 of Kalkaska County Records.

KENT COUNTY

Certain land in Caledonia Township, Kent County, Michigan described as:

A parcel of land in the Northwest fractional 1/4 of Section 15, T5N, R10W, described as follows: To find the place of beginning of this description commence at the North 1/4 corner of said section, run thence S 0 degrees 59' 26" E along the North and South 1/4 line of said section 2046.25 feet to the place of beginning of this description, thence continuing S 0 degrees 59' 26" E along said North and South 1/4 line of said section 332.88 feet, thence S 88 degrees 58' 30" W 2510.90 feet to a point herein designated "Point A" on the East bank of the Thornapple River, thence continuing S 88 degrees 53' 30" W to the center thread of the Thornapple River, thence NW'ly along the center thread of said Thornapple River to a point which said point is S 88 degrees 58' 30" W of a point on the East bank of the Thornapple River herein designated "Point B", said "Point B" being N

23 degrees 41' 35" W 360.75 feet from said above-described "Point A", thence N 88 degrees 58' 30" E to said "Point B", thence continuing N 88 degrees 58' 30" E 2650.13 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R10W between the East 1/4 corner of said section and the Northeast corner of said section assumed as N 0 degrees 59' 55" W.)

LAKE COUNTY

Certain land in Pinora and Cherry Valley Townships, Lake County, Michigan described as:

A strip of land 50 feet wide East and West along and adjoining the West line of highway on the East side of the North 1/2 of Section 13 T18N, R12W. Also a strip of land 100 feet wide East and West along and adjoining the East line of the highway on the West side of following described land: The South 1/2 of NW 1/4, and the South 1/2 of the NW 1/4 of the SW 1/4, all in Section 6, T18N, R11W.

LAPEER COUNTY

Certain land in Hadley Township, Lapeer County, Michigan described as:

The South 825 feet of the W 1/2 of the SW 1/4 of Section 24, T6N, R9E, except the West 1064 feet thereof.

LEELANAU COUNTY

Certain land in Cleveland Township, Leelanau County, Michigan described as:

The North 200 feet of the West 180 feet of the SW 1/4 of the SE 1/4 of Section 35, T29N, R13W.

LENAWEE COUNTY

Certain land in Madison Township, Lenawee County, Michigan described as:

A strip of land 165 feet wide off the West side of the following described premises: The E 1/2 of the SE 1/4 of Section 12. The E 1/2 of the NE 1/4 and the NE 1/4 of the SE 1/4 of Section 13, being all in T7S, R3E, excepting therefrom a parcel of land in the E 1/2 of the SE 1/4 of Section 12, T7S, R3E, beginning at the Northwest corner of said E 1/2 of the SE 1/4 of Section 12, running thence East 4 rods, thence South 6 rods, thence West 4 rods, thence North 6 rods to the place of beginning.

LIVINGSTON COUNTY

Certain land in Cohoctah Township, Livingston County, Michigan described as:

Parcel 1

The East 390 feet of the East 50 rods of the SW 1/4 of Section 30, T4N, R4E.

Parcel 2

A parcel of land in the NW 1/4 of Section 31, T4N, R4E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 13' 06" W along the North line of said section, 330 feet to the place of beginning of this description; running thence S 00 degrees 52' 49" W, 2167.87 feet; thence N 88 degrees 59' 49" W, 60 feet; thence N 00 degrees 52' 49" E, 2167.66 feet to the North line of said section; thence S 89 degrees 13' 06" E along said North line of said section, 60 feet to the place of beginning.

MACOMB COUNTY

Certain land in Macomb Township, Macomb County, Michigan described as:

A parcel of land commencing on the West line of the E 1/2 of the NW 1/4 of fractional Section 6, 20 chains South of the NW corner of said E 1/2 of the NW 1/4 of Section 6; thence South on said West line and the East line of A. Henry Kotner's Hayes Road Subdivision #15, according to the recorded plat thereof, as recorded in Liber 24 of Plats, on page 7, 24.36 chains to the East and West 1/4 line of said Section 6; thence East on said East and West 1/4 line 8.93 chains; thence North parallel with the said West line of the E 1/2 of the NW 1/4 of Section 6, 24.36 chains; thence West 8.93 chains to the place of beginning, all in T3N, R13E.

MANISTEE COUNTY

Certain land in Manistee Township, Manistee County, Michigan described as:

A parcel of land in the SW 1/4 of Section 20, T22N, R16W, described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section; run thence East along the South line of said section 832.2 feet to the place of beginning of this description; thence continuing East along said South line of said section 132 feet; thence North 198 feet; thence West 132 feet; thence South 198 feet to the place of beginning, excepting therefrom the South 2 rods thereof which was conveyed to Manistee Township for highway purposes by a Quitclaim Deed dated June 13, 1919 and recorded July 11, 1919 in Liber 88 of Deeds on page 638 of Manistee County Records.

MASON COUNTY

Certain land in Riverton Township, Mason County, Michigan described as:

Parcel 1

The South 10 acres of the West 20 acres of the S 1/2 of the NE 1/4 of Section 22, T17N, R17W.

Parcel 2

A parcel of land containing 4 acres of the West side of highway, said parcel of land being described as commencing 16 rods South of the Northwest corner of the NW 1/4 of the SW 1/4 of Section 22, T17N, R17W, running thence South 64 rods, thence NE'ly and N'ly and NW'ly along the W'ly line of said highway to the place of beginning, together with any and all right, title, and interest of Howard C. Wicklund and Katherine E. Wicklund in and to that portion of the hereinbefore mentioned highway lying adjacent to the E'ly line of said above described land.

MECOSTA COUNTY

Certain land in Wheatland Township, Mecosta County, Michigan described as:

A parcel of land in the SW 1/4 of the SW 1/4 of Section 16, T14N, R7W, described as beginning at the Southwest corner of said section; thence East along the South line of Section 133 feet; thence North parallel to the West section line 133 feet; thence West 133 feet to the West line of said Section; thence South 133 feet to the place of beginning.

MIDLAND COUNTY

Certain land in Ingersoll Township, Midland County, Michigan described as:

The West 200 feet of the W 1/2 of the NE 1/4 of Section 4, T13N, R2E.

MISSAUKEE COUNTY

Certain land in Norwich Township, Missaukee County, Michigan described as:

A parcel of land in the NW 1/4 of the NW 1/4 of Section 16, T24N, R6W, described as follows: Commencing at the Northwest corner of said section, running thence N 89 degrees 01' 45" E along the North line of said section 233.00 feet; thence South 233.00 feet; thence S 89 degrees 01' 45" W, 233.00 feet to the West line of said section; thence North along said West line of said section 233.00 feet to the place of beginning. (Bearings are based on the West line of Section 16, T24N, R6W, between the Southwest and Northwest corners of said section assumed as North.)

MONROE COUNTY

Certain land in Whiteford Township, Monroe County, Michigan described as:

A parcel of land in the SW1/4 of Section 20, T8S, R6E, described as follows: To find the place of beginning of this description commence at the S 1/4 post of said section; run thence West along the South line of said section 1269.89 feet to the place of beginning of this description; thence continuing West along said South line of said section 100 feet; thence N 00 degrees 50' 35" E, 250 feet; thence East 100 feet; thence S 00 degrees 50' 35" W parallel with and 16.5 feet distant W'ly of as measured perpendicular to the West 1/8 line of said section, as occupied, a distance of 250 feet to the place of beginning.

MONTCALM COUNTY

Certain land in Crystal Township, Montcalm County, Michigan described as:

The N 1/2 of the S 1/2 of the SE 1/4 of Section 35, T10N, R5W.

MONTMORENCY COUNTY

Certain land in the Village of Hillman, Montmorency County, Michigan described as:

Lot 14 of Hillman Industrial Park, being a subdivision in the South 1/2 of the Northwest 1/4 of Section 24, T31N, R4E, according to the plat thereof recorded in Liber 4 of Plats on Pages 32-34, Montmorency County Records.

MUSKEGON COUNTY

Certain land in Casnovia Township, Muskegon County, Michigan described as:

The West 433 feet of the North 180 feet of the South 425 feet of the SW 1/4 of Section 3, T10N, R13W.

NEWAYGO COUNTY

Certain land in Ashland Township, Newaygo County, Michigan described as:

The West 250 feet of the NE 1/4 of Section 23, T11N, R13W.

OAKLAND COUNTY

Certain land in Wixcom City, Oakland County, Michigan described as:

The E 75 feet of the N 160 feet of the N 330 feet of the W 526.84 feet of the NW 1/4 of the NW 1/4 of Section 8, T1N, R8E, more particularly described as follows: Commence at the NW corner of said Section 8, thence N 87 degrees 14' 29" E along the North line of said Section 8 a distance of 451.84 feet to the place of beginning for this description; thence continuing N 87 degrees 14' 29" E along

said North section line a distance of 75.0 feet to the East line of the West 526.84 feet of the NW 1/4 of the NW 1/4 of said Section 8; thence S 02 degrees 37' 09" E along said East line a distance of 160.0 feet; thence S 87 degrees 14' 29" W a distance of 75.0 feet; thence N 02 degrees 37' 09" W a distance of 160.0 feet to the place of beginning.

OCEANA COUNTY

Certain land in Crystal Township, Oceana County, Michigan described as:

The East 290 feet of the SE 1/4 of the NW 1/4 and the East 290 feet of the NE 1/4 of the SW 1/4, all in Section 20, T16N, R16W.

OGEMAW COUNTY

Certain land in West Branch Township, Ogemaw County, Michigan described as:

The South 660 feet of the East 660 feet of the NE 1/4 of the NE 1/4 of Section 33, T22N, R2E.

OSCEOLA COUNTY

Certain land in Hersey Township, Osceola County, Michigan described as:

A parcel of land in the North 1/2 of the Northeast 1/4 of Section 13, T17N, R9W, described as commencing at the Northeast corner of said Section; thence West along the North Section line 999 feet to the point of beginning of this description; thence S 01 degrees 54' 20" E 1327.12 feet to the North 1/8 line; thence S 89 degrees 17' 05" W along the North 1/8 line 330.89 feet; thence N 01 degrees 54' 20" W 1331.26 feet to the North Section line; thence East along the North Section line 331 feet to the point of beginning.

OSCODA COUNTY

Certain land in Comins Township, Oscoda County, Michigan described as:

The East 400 feet of the South 580 feet of the W 1/2 of the SW 1/4 of Section 15, T27N, R3E.

OTSEGO COUNTY

Certain land in Corwith Township, Otsego County, Michigan described as:

Part of the NW 1/4 of the NE 1/4 of Section 28, T32N, R3W, described as: Beginning at the N 1/4 corner of said section; running thence S 89 degrees 04' 06" E along the North line of said section, 330.00 feet; thence S 00 degrees 28' 43" E, 400.00 feet; thence N 89 degrees 04' 06" W, 330.00 feet to the North and South 1/4 line of said section; thence N 00 degrees 28' 43" W along the said

North and South 1/4 line of said section, 400.00 feet to the point of beginning; subject to the use of the N'ly 33.00 feet thereof for highway purposes.

OTTAWA COUNTY

Certain land in Robinson Township, Ottawa County, Michigan described as:

The North 660 feet of the West 660 feet of the NE 1/4 of the NW 1/4 of Section 26, T7N, R15W.

PRESQUE ISLE COUNTY

Certain land in Belknap and Pulawski Townships, Presque Isle County, Michigan described as:

Part of the South half of the Northeast quarter, Section 24, T34N, R5E, and part of the Northwest quarter, Section 19, T34N, R6E, more fully described as: Commencing at the East 1/4 corner of said Section 24; thence N 00 degrees15'47" E, 507.42 feet, along the East line of said Section 24 to the point of beginning; thence S 88 degrees15'36" W, 400.00 feet, parallel with the North 1/8 line of said Section 24; thence N 00 degrees15'47" E, 800.00 feet, parallel with said East line of Section 24; thence N 88 degrees15'36"E, 800.00 feet, along said North 1/8 line of Section 24 and said line extended; thence S 00 degrees15'47" W, 800.00 feet, parallel with said East line of Section 24; thence S 88 degrees15'36" W, 400.00 feet, parallel with said North 1/8 line of Section 24 to the point of beginning.

Together with a 33 foot easement along the West 33 feet of the Northwest quarter lying North of the North 1/8 line of Section 24, Belknap Township, extended, in Section 19, T34N, R6E.

ROSCOMMON COUNTY

Certain land in Gerrish Township, Roscommon County, Michigan described as:

A parcel of land in the NW 1/4 of Section 19, T24N, R3W, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section, run thence East along the North line of said section 1,163.2 feet to the place of beginning of this description (said point also being the place of intersection of the West 1/8 line of said section with the North line of said section), thence S 01 degrees 01' E along said West 1/8 line 132 feet, thence West parallel with the North line of said section 132 feet, thence N 01 degrees 01' W parallel with said West 1/8 line of said section 132 feet to the North line of said section, thence East along the North line of said section 132 feet to the place of beginning.

SAGINAW COUNTY

Certain land in Chapin Township, Saginaw County, Michigan described as:

A parcel of land in the SW 1/4 of Section 13, T9N, R1E, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence North along the West line of said section 1581.4 feet to the place of beginning of this description; thence continuing North along said West line of said section 230 feet to the center line of a creek; thence S 70 degrees 07' 00" E along said center line of said creek 196.78 feet; thence South 163.13 feet; thence West 185 feet to the West line of said section and the place of beginning.

SANILAC COUNTY

Certain easement rights located across land in Minden Township, Sanilac County, Michigan described as:

The Southeast 1/4 of the Southeast 1/4 of Section 1, T14N, R14E, excepting therefrom the South 83 feet of the East 83 feet thereof.

SHIAWASSEE COUNTY

Certain land in Burns Township, Shiawassee County, Michigan described as:

The South 330 feet of the E 1/2 of the NE 1/4 of Section 36, T5N, R4E.

ST. CLAIR COUNTY

Certain land in Ira Township, St. Clair County, Michigan described as:

The N 1/2 of the NW 1/4 of the NE 1/4 of Section 6, T3N, R15E.

ST. JOSEPH COUNTY

Certain land in Mendon Township, St. Joseph County, Michigan described as:

The North 660 feet of the West 660 feet of the NW 1/4 of SW 1/4, Section 35, T5S, R10W.

TUSCOLA COUNTY

Certain land in Millington Township, Tuscola County, Michigan described as:

A strip of land 280 feet wide across the East 96 rods of the South 20 rods of the N 1/2 of the SE 1/4 of Section 34, T10N, R8E, more particularly described as commencing at the Northeast corner of Section 3, T9N, R8E, thence S 89 degrees 55' 35" W along the South line of said Section 34 a distance of 329.65 feet, thence N 18 degrees 11' 50" W a distance of 1398.67 feet to the South 1/8

line of said Section 34 and the place of beginning for this description; thence continuing N 18 degrees 11' 50" W a distance of 349.91 feet; thence N 89 degrees 57' 01" W a distance of 294.80 feet; thence S 18 degrees 11' 50" E a distance of 350.04 feet to the South 1/8 line of said Section 34; thence S 89 degrees 58' 29" E along the South 1/8 line of said section a distance of 294.76 feet to the place of beginning.

VAN BUREN COUNTY

Certain land in Covert Township, Van Buren County, Michigan described as:

All that part of the West 20 acres of the N 1/2 of the NE fractional 1/4 of Section 1, T2S, R17W, except the West 17 rods of the North 80 rods, being more particularly described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 29' 20" E along the North line of said section 280.5 feet to the place of beginning of this description; thence continuing N 89 degrees 29' 20" E along said North line of said section 288.29 feet; thence S 00 degrees 44' 00" E, 1531.92 feet; thence S 89 degrees 33' 30" W, 568.79 feet to the North and South 1/4 line of said section; thence N 00 degrees 44' 00" W along said North and South 1/4 line of said section 211.4 feet; thence N 89 degrees 29' 20" E, 280.5 feet; thence N 00 degrees 44' 00" W, 1320 feet to the North line of said section and the place of beginning.

WASHTENAW COUNTY

Certain land in Manchester Township, Washtenaw County, Michigan described as:

A parcel of land in the NE 1/4 of the NW 1/4 of Section 1, T4S, R3E, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section; run thence East along the North line of said section 1355.07 feet to the West 1/8 line of said section; thence S 00 degrees 22' 20" E along said West 1/8 line of said section 927.66 feet to the place of beginning of this description; thence continuing S 00 degrees 22' 20" E along said West 1/8 line of said section 660 feet to the North 1/8 line of said section; thence N 86 degrees 36' 57" E along said North 1/8 line of said section 660.91 feet; thence N 00 degrees22' 20" W, 660 feet; thence S 86 degrees 36' 57" W, 660.91 feet to the place of beginning.

WAYNE COUNTY

Certain land in Livonia City, Wayne County, Michigan described as:

Commencing at the Southeast corner of Section 6, T1S, R9E; thence North along the East line of Section 6 a distance of 253 feet to the point of beginning; thence continuing North along the East line of Section 6 a distance of 50 feet; thence Westerly parallel to the South line of Section 6, a distance of 215 feet; thence Southerly parallel to the East line of Section 6 a distance of 50 feet;

thence easterly parallel with the South line of Section 6 a distance of 215 feet to the point of beginning.

WEXFORD COUNTY

Certain land in Selma Township, Wexford County, Michigan described as:

A parcel of land in the NW 1/4 of Section 7, T22N, R10W, described as beginning on the North line of said section at a point 200 feet East of the West line of said section, running thence East along said North section line 450 feet, thence South parallel with said West section line 350 feet, thence West parallel with said North section line 450 feet, thence North parallel with said West section line 350 feet to the place of beginning.

SECTION 12. The Company is a transmitting utility under Section 9501(2) of the Michigan Uniform Commercial Code (M.C.L. 440.9501(2)) as defined in M.C.L. 440.9102(1)(aaaa).

IN WITNESS WHEREOF, said Consumers Energy Company has caused this Supplemental Indenture to be executed in its corporate name by its Chairman of the Board, President, a Vice President or its Treasurer and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and said JPMorgan Chase Bank, as Trustee as aforesaid, to evidence its acceptance hereof, has caused this Supplemental Indenture to be executed in its corporate name by a Vice President and its corporate seal to be hereunto affixed and to be attested by a Trust Officer, in several counterparts, all as of the day and year first above written.

CONSUMERS ENERGY COMPANY

(SEAL) By

Paul A. Stadnikia
Treasurer

Attest:

- ----------------------------

Joyce H. Norkey
Assistant Secretary

Signed, sealed and delivered
by CONSUMERS ENERGY COMPANY
in the presence of

- ----------------------------

Kimberly C. Wilson

- ----------------------------

Sammie B. Dalton

STATE OF MICHIGAN)
ss.
COUNTY OF JACKSON)

The foregoing instrument was acknowledged before me this 27th day of March, 2003, by Paul A. Stadnikia, Treasurer of CONSUMERS ENERGY COMPANY, a Michigan corporation, on behalf of the corporation.

Margaret Hillman, Notary Public
Jackson County, Michigan
My Commission Expires: June 14, 2004

[Seal]

JPMORGAN CHASE BANK, AS TRUSTEE

(SEAL)

By

L. O'Brien
Vice President

Attest:

- ----------------------------
Rosa Ciaccia
Trust Officer

Signed, sealed and delivered
by JPMORGAN CHASE BANK
in the presence of

- ----------------------------
James D. Heaney
Vice President

- ----------------------------
WILLIAM G. KEENAN
VICE PRESIDENT

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 27th of March, 2003, by L. O'Brien, a Vice President of JPMORGAN CHASE BANK, a New York corporation, on behalf of the corporation.

Notary Public

[Seal]

New York County, New York
My Commission Expires:

Prepared by:
Kimberly C. Wilson
212 West Michigan Avenue
Jackson, MI 49201

When recorded, return to:
Consumers Energy Company
Business Services Real Estate Dept.
Attn: Nancy Fisher EP7-439
One Energy Plaza
Jackson, MI 49201

EXHIBIT B-1

REQUIRED OPINIONS FROM

MICHAEL D. VANHEMERT, ESQ.

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Michigan.

2. The execution and delivery of the Credit Documents by the Company and the performance by the Company of the Obligations have been duly authorized by all necessary corporate action and proceedings on the part of the Company and will not:

(a) contravene the Company's Restated Articles of Incorporation, as amended, or bylaws;

(b) contravene any law or any contractual restriction imposed by any indenture or any other agreement or instrument evidencing or governing indebtedness for borrowed money of the Company; or

(c) result in or require the creation of any Lien upon or with respect to any of the Company's properties except the lien of the Indenture securing the Bonds and any Lien in favor of the Agent on the Facility LC Collateral Account or any funds therein.

3. The Credit Documents have been duly executed and delivered by the Company.

4. To the best of my knowledge, there is no pending or threatened action or proceeding against the Company or any of its Consolidated Subsidiaries before any court, governmental agency or arbitrator (except (i) to the extent described in the Company's annual report on Form 10-K/A for the year ended December 31, 2001, and Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2002, in each case as filed with the SEC, and (ii) such other similar actions, suits and proceedings predicated on the occurrence of the same events giving rise to any actions, suits and proceedings described in the reports referred to in clause (i) of this paragraph 4) which might reasonably be expected to materially adversely affect the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, or that would materially adversely affect the Company's ability to perform its obligations under any Credit Document. To the best of my knowledge, there is no litigation challenging the validity or the enforceability of any of the Credit Documents.

5. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Company of any Credit Document, except for the authorization to issue, sell or guarantee secured and/or unsecured short-term debt granted by the Federal Energy Regulatory Commission in Docket No. ES02-37-000 (hereinafter the "FERC Order"). The FERC Order is in full force and effect as of the date hereof.

6. The Bonds, assuming due authentication in accordance with the terms of the Indenture, are in due and proper form and, when delivered to the Agent pursuant to the Bond Delivery Agreement, will evidence and secure the Obligations owing under the Agreement and will be valid and enforceable obligations of the Company in accordance with their terms, secured by the lien of the Indenture on an equal and ratable basis with all other bonds issued thereunder and otherwise entitled to the benefits provided by the Indenture.

7. The Indenture has been qualified under the Trust Indenture Act of 1939, as amended, and the execution and delivery of the Supplemental Indenture will not cause the Indenture to not be so qualified.

8. The Company is not an "investment company" or a company "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

9. The Company (i) is a "public utility" and a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended (the "Holding Company Act"), and (ii) is currently exempt from all provisions of the Holding Company Act, except Section 9(a)(2) thereof.

10. In a properly presented case, a Michigan court or a federal court applying Michigan choice of law rules should give effect to the choice of law provisions of the Agreement and should hold that the Agreement is to be governed by the laws of the State of New York rather than the laws of the State of Michigan, except in the case of those provisions set forth in the Agreement the enforcement of which would contravene a fundamental policy of the State of Michigan. In the course of our review of the Agreement, nothing has come to my attention to indicate that any of such provisions would do so. Notwithstanding the foregoing, even if a Michigan court or a federal court holds that the Agreement is to be governed by the laws of the State of Michigan, the Agreement constitutes a legal, valid and binding obligation of the Company, enforceable under Michigan law (including usury provisions) against the Company in accordance with its terms, subject to (a) the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

EXHIBIT B-2

REQUIRED OPINIONS FROM

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

11. The execution and delivery of the Credit Documents by the Company and the performance by the Company of the Obligations will not:

(a) contravene any contractual restriction imposed by the Company Indentures; or

(b) result in or require the creation of any Lien upon or with respect to any of the Company's properties pursuant to either of the Company Indentures.

12. The Agreement constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to (a) the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) the application of general principles of equity (regardless of whether considered in a preceding in equity or at law).

"Company Indentures" means (i) the Indenture dated as of January 1, 1996, as supplemented and amended from time to time, between the Company (formerly known as Consumers Power Company) and The Bank of New York, as Trustee, and (ii) the Indenture dated as of February 1, 1998, as supplemented and amended from time to time, between the Company and JP Morgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee.

EXHIBIT B-3

REQUIRED OPINIONS FROM

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

1. The Bonds, assuming due authentication in accordance with the terms of the Indenture, are in due and proper form and, when delivered to the Agent pursuant to the Bond Delivery Agreement, will evidence and secure the Obligations owing under the Agreement and will be valid and enforceable obligations of the Company in accordance with their terms, secured by the lien of the Indenture on an equal and ratable basis with all other bonds issued thereunder and otherwise entitled to the benefits provided by the Indenture.

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

I, _________________, ______________ of Consumers Energy Company, a Michigan corporation (the "Company"), DO HEREBY CERTIFY in connection with the Credit Agreement dated as of March 27, 2003 (the "Credit Agreement"; the terms defined therein being used herein as so defined) among the Company, various financial institutions and Bank One, NA (Main Office - Chicago), as Agent, that:

I. Section 8.1 of the Credit Agreement provides that the Company shall: "At all times, maintain a ratio of Total Consolidated Debt to Total Consolidated Capitalization of not greater than 0.65 to 1.0."

The following calculations are made in accordance with the definitions of Total Consolidated Debt and Total Consolidated Capitalization in the Credit Agreement and are correct and accurate as of _____________, ___:

A. Total Consolidated Debt

	(a)	Indebtedness for borrowed money	$
plus	(b)	Indebtedness for deferred purchase price of property/services	
plus	(c)	Unfunded Vested Liabilities	
plus	(d)	Obligations under acceptance facilities	
plus	(e)	Obligations under Capital Leases	
plus	(f)	Obligations under interest rate swap, "cap", "collar" or other hedging agreement	
plus	(g)	Guaranties, endorsements and other contingent obligations	
minus	(h)	Principal amount of any Securitized Bonds	
minus	(i)	Junior Subordinated Debt owned by any Hybrid Preferred Securities Subsidiary	
minus	(j)	Subordinated guaranties by the Company of payments with respect to Hybrid Preferred Securities	
minus	(k)	Agreed upon percentage of Net Proceeds from issuance of hybrid debt/equity	

from issuance of hybrid debt/equity securities (other than Junior Subordinated Debt and Hybrid Preferred Securities)

		TOTAL	$

B. Total Consolidated Capitalization:

	(a)	Total Consolidated Debt	$
	(b)	Equity of common stockholders	
	(c)	Equity of preference stockholders	______________
	(d)	Equity of preferred stockholders	______________
		TOTAL	$

C. Debt to Capital Ratio (total of A divided by total of B) _____ to 1.00

II. Section 8.2 of the Credit Agreement provides that the Company shall: "Not permit the ratio, determined as of the end of each of its fiscal quarters for the then most-recently ended four fiscal quarters, of (i) Consolidated EBIT to (ii) cash Consolidated Interest Expense to be less than 2.0 to 1.0"

The following calculations are made in accordance with the definitions of Consolidated EBIT and Consolidated Interest Expense in the Credit Agreement and are correct and accurate as of _____________, ___:

A. Consolidated EBIT

	(a)	Consolidated Net Income	$
plus	(b)	Consolidated Interest Expense	$
plus	(c)	Expense for taxes paid or accrued	$
plus	(d)	Non-cash write-offs and write-downs contained in the Company's Consolidated Net Income, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts	$
minus	(e)	Extraordinary gains realized other than in the ordinary course of business	$

the ordinary course of business

	TOTAL	$
B.	Consolidated Interest Expense	$
C.	Interest Coverage Ratio (total of A divided by total of B)	_______ to 1.00

IN WITNESS WHEREOF, I have signed this Certificate this ___ day of _________, ___.

EXHIBIT D

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations in its capacity as a Bank under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including without limitation any letters of credit, guaranties and swingline loans included in such facilities and, to the extent permitted to be assigned under applicable law, all claims (including without limitation contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity), suits, causes of action and any other right of the Assignor against any Person whether known or unknown arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: ____

2. Assignee: ____[and is an affiliate of Assignor]

3. Borrower: CONSUMERS ENERGY COMPANY

4. Agent: Bank One, NA, as the Agent under the Credit Agreement.

5. Credit Agreement: The Credit Agreement dated as of March 27, 2003 among Consumers Energy Company, the Banks party thereto, and Bank One, NA, as Agent.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/ Outstanding Credit Exposure for all Banks*	Amount of Commitment/ Outstanding Credit Exposure Assigned*	Percentage Assigned of Commitment/ Outstanding Credit Exposure(2)
____________	$	$	_______%
____________	$	$	_______%
____________	$	$	_______%

7. Trade Date: ____(4)

Effective Date: ____________________, 20__ TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER BY THE AGENT.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By:_________________________________
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By:_________________________________
Title:

[Consented to and](5) Accepted:

BANK ONE, NA, as Agent

By:___________________________________
Title:

[Consented to:](6)

*Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(2) Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Banks thereunder.

(4) Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.

(5) To be added only if the consent of the Agent is required by the terms of the Credit Agreement.

(6) To be added only if the consent of the Company and/or other parties (e.g. LC Issuer) is required by the terms of the Credit Agreement.

[NAME OF RELEVANT PARTY]

By:___________________________________
Title:

ANNEX 1

TERMS AND CONDITIONS FOR

ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby. Neither the Assignor nor any of its officers, directors, employees, agents or attorneys shall be responsible for (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Credit Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency, perfection, priority, collectibility, or value of the Credit Documents or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document, (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document, (v) inspecting any of the property, books or records of the Company, or any guarantor, or (vi) any mistake, error of judgment, or action taken or omitted to be taken in connection with the Credit Extensions or the Credit Documents.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Bank under the Credit Agreement, (ii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Bank thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Bank thereunder, (iii) agrees that its payment instructions and notice instructions are as set forth in Schedule 1 to this Assignment and Assumption, (iv) confirms that none of the funds, monies, assets or other consideration being used to make the purchase and assumption hereunder are "plan assets" as defined under ERISA and that its rights, benefits and interests in and under the Credit Documents will not be "plan assets" under ERISA, (v) agrees to indemnify and hold the Assignor harmless against all losses, costs and expenses (including, without limitation, reasonable attorneys' fees) and liabilities incurred by the Assignor in connection with or arising in any manner from the Assignee's non-performance of the obligations assumed under this Assignment and Assumption, (vi) it has received a copy of the Credit Agreement, together with copies of financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Agent or any other Bank, and (vii) attached as Schedule 1 to this Assignment and Assumption is any documentation required to be delivered by the Assignee with respect to its tax status pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and

(ii) it will perform in accordance with their terms all of the obligations which by the terms of the Credit Documents are required to be performed by it as a Bank.

2. Payments. The Assignee shall pay the Assignor, on the Effective Date, the amount agreed to by the Assignor and the Assignee. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, Reimbursement Obligations, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Illinois.

ADMINISTRATIVE QUESTIONNAIRE

(Schedule to be supplied by Closing Unit or Trading Documentation Unit)

(For Forms for Primary Syndication call Peterine Svoboda at 312-732-8844)
(For Forms after Primary Syndication call Jim Bartz at 312-732-1242)

US AND NON-US TAX INFORMATION REPORTING REQUIREMENTS

(Schedule to be supplied by Closing Unit or Trading Documentation Unit)

(For Forms for Primary Syndication call Peterine Svoboda at 312-732-8844)
(For Forms after Primary Syndication call Jim Bartz at 312-732-1242)

EXHIBIT E

TERMS OF SUBORDINATION

[JUNIOR SUBORDINATED DEBT]

ARTICLE ____
SUBORDINATION

Section ___.1 Applicability of Article; Securities Subordinated to Senior Indebtedness.

(a) This Article ____ shall apply only to the Securities of any series which, pursuant to Section ___, are expressly made subject to this Article. Such Securities are referred to in this Article ____ as "Subordinated Securities."

(b) The Issuer covenants and agrees, and each Holder of Subordinated Securities by his acceptance thereof likewise covenants and agrees, that the indebtedness represented by the Subordinated Securities and the payment of the principal and interest, if any, on the Subordinated Securities is subordinated and subject in right, to the extent and in the manner provided in this Article, to the prior payment in full of all Senior Indebtedness.

"Senior Indebtedness" means the principal of and premium, if any, and interest on the following, whether outstanding on the date hereof or thereafter incurred, created or assumed: (i) indebtedness of the Issuer for money borrowed by the Issuer (including purchase money obligations) or evidenced by debentures (other than the Subordinated Securities), notes, bankers' acceptances or other corporate debt securities, or similar instruments issued by the Issuer; (ii) all capital lease obligations of the Issuer; (iii) all obligations of the Issuer issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Issuer and all obligations of the Issuer under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) obligations with respect to letters of credit; (v) all indebtedness of others of the type referred to in the preceding clauses (i) through (iv) assumed by or guaranteed in any manner by the Issuer or in effect guaranteed by the Issuer; (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Issuer (whether or not such obligation is assumed by the Issuer), except for (1) any such indebtedness that is by its terms subordinated to or pari passu with the Subordinated Notes, as the case may be, including all other debt securities and guaranties in respect of those debt securities, issued to any other trusts, partnerships or other entities affiliated with the Issuer which act as a financing vehicle of the Issuer in connection with the issuance of preferred securities by such entity or other securities which rank pari passu with, or junior to, the Preferred Securities, and (2) any indebtedness between or among the Issuer and its affiliates; and/or (vii) renewals, extensions or refundings of any of the indebtedness referred to in the preceding clauses unless, in the case of any particular indebtedness, renewal, extension or refunding, under the express provisions of the instrument creating or evidencing the same or the assumption or guarantee of the same, or pursuant to which the same is outstanding, such indebtedness or such renewal, extension or refunding thereof is not superior in right of payment to the Subordinated Securities.

This Article shall constitute a continuing obligation to all Persons who, in reliance upon such provisions become holders of, or continue to hold, Senior Indebtedness, and such provisions are made for the benefit of the holders of Senior Indebtedness, and such holders are made obligees hereunder and they and/or each of them may enforce such provisions.

Section ___.2 Issuer Not to Make Payments with Respect to Subordinated Securities in Certain Circumstances.

(a) Upon the maturity of any Senior Indebtedness by lapse of time, acceleration or otherwise, all principal thereof and premium and interest thereon shall first be paid in full, or such payment duly provided for in cash in a manner satisfactory to the holders of such Senior Indebtedness, before any payment is made on account of the principal of, or interest on, Subordinated Securities or to acquire any Subordinated Securities or on account of any sinking fund provisions of any Subordinated Securities (except payments made in capital stock of the Issuer or in warrants, rights or options to purchase or acquire capital stock of the Issuer, sinking fund payments made in Subordinated Securities acquired by the Issuer before the maturity of such Senior Indebtedness, and payments made through the exchange of other debt obligations of the Issuer for such Subordinated Securities in accordance with the terms of such Subordinated Securities, provided that such debt obligations are subordinated to Senior Indebtedness at least to the extent that the Subordinated Securities for which they are exchanged are so subordinated pursuant to this Article ____).

(b) Upon the happening and during the continuation of any default in payment of the principal of, or interest on, any Senior Indebtedness when the same becomes due and payable or in the event any judicial proceeding shall be pending with respect to any such default, then, unless and until such default shall have been cured or waived or shall have ceased to exist, no payment shall be made by the Issuer with respect to the principal of, or interest on, Subordinated Securities or to acquire any Subordinated Securities or on account of any sinking fund provisions of Subordinated Securities (except payments made in capital stock of the Issuer or in warrants, rights, or options to purchase or acquire capital stock of the Issuer, sinking fund payments made in Subordinated Securities acquired by the Issuer before such default and notice thereof, and payments made through the exchange of other debt obligations of the Issuer for such Subordinated Securities in accordance with the terms of such Subordinated Securities, provided that such debt obligations are subordinated to Senior Indebtedness at least to the extent that the Subordinated Securities for which they are exchanged are so subordinated pursuant to this Article ____).

(c) In the event that, notwithstanding the provisions of this Section ___.2, the Issuer shall make any payment to the Trustee on account of the principal of or interest on Subordinated Securities, or on account of any sinking fund provisions of such Securities, after the maturity of any Senior Indebtedness as described in Section ___.2(a) above or after the happening of a default in payment of the principal of or interest on any Senior Indebtedness as described in Section ___.2(b) above, then, unless and until all Senior Indebtedness which shall have matured, and all premium and interest thereon, shall have been paid in full (or the declaration of acceleration thereof shall have been rescinded or annulled), or such default shall have been cured or waived or shall have ceased to exist, such payment (subject to the provisions of Sections ___.6 and ___.7) shall be held by the Trustee, in trust for the benefit of, and shall be

paid forthwith over and delivered to, the holders of such Senior Indebtedness (pro rata as to each of such holders on the basis of the respective amounts of Senior Indebtedness held by them) or their representative or the trustee under the indenture or other agreement (if any) pursuant to which such Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all such Senior Indebtedness remaining unpaid to the extent necessary to pay the same in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness. The Issuer shall give prompt written notice to the Trustee of any default in the payment of principal of or interest on any Senior Indebtedness.

Section ___.3 Subordinated Securities Subordinated to Prior Payment of All Senior Indebtedness on Dissolution, Liquidation or Reorganization of Issuer. Upon any distribution of assets of the Issuer in any dissolution, winding up, liquidation or reorganization of the Issuer (whether voluntary or involuntary, in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise):

(a) the holders of all Senior Indebtedness shall first be entitled to receive payments in full of the principal thereof and premium and interest due thereon, or provision shall be made for such payment, before the Holders of Subordinated Securities are entitled to receive any payment on account of the principal of or interest on such Securities;

(b) any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities (other than securities of the Issuer as reorganized or readjusted or securities of the Issuer or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Article ____ with respect to Subordinated Securities, to the payment in full without diminution or modification by such plan of all Senior Indebtedness), to which the Holders of Subordinated Securities or the Trustee on behalf of the Holders of Subordinated Securities would be entitled except for the provisions of this Article ____ shall be paid or delivered by the liquidating trustee or agent or other person making such payment or distribution directly to the holders of Senior Indebtedness or their representative, or to the trustee under any indenture under which Senior Indebtedness may have been issued (pro rata as to each such holder, representative or trustee on the basis of the respective amounts of unpaid Senior Indebtedness held or represented by each), to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution or provision thereof to the holders of such Senior Indebtedness; and

(c) in the event that notwithstanding the foregoing provisions of this Section ___.3, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities (other than securities of the Issuer as reorganized or readjusted or securities of the Issuer or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Article ____ with respect to Subordinated Securities, to the payment in full without diminution or modification by such plan of all Senior Indebtedness), shall be received by the Trustee or the Holders of the Subordinated Securities on account of principal of or interest on the Subordinated Securities before all Senior Indebtedness is paid in full, or effective provision made for its payment, such payment or distribution (subject to the provisions of Section ___.6 and ___.7)

shall be received and held in trust for and shall be paid over to the holders of the Senior Indebtedness remaining unpaid or unprovided for or their representative, or to the trustee under any indenture under which such Senior Indebtedness may have been issued (pro rata as provided in subsection (b) above), for application to the payment of such Senior Indebtedness until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness.

The Issuer shall give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of the Issuer.

The consolidation of the Issuer with, or the merger of the Issuer into, another corporation or the liquidation or dissolution of the Issuer following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article ____ hereof shall not be deemed a dissolution, winding up, liquidation or reorganization for the purposes of this Section ___.3 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated such in Article ____.

Section ___.4 Holders of Subordinated Securities to be Subrogated to Right of Holders of Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness, the Holders of Subordinated Securities shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Issuer applicable to the Senior Indebtedness until all amounts owing on Subordinated Securities shall be paid in full, and for the purposes of such subrogation no payments or distributions to the holders of the Senior Indebtedness by or on behalf of the Issuer or by or on behalf of the Holders of Subordinated Securities by virtue of this Article ____ which otherwise would have been made to the Holders of Subordinated Securities shall, as between the Issuer, its creditors other than holders of Senior Indebtedness and the Holders of Subordinated Securities, be deemed to be payment by the Issuer to or on account of the Senior Indebtedness, it being understood that the provisions of this Article ____ are and are intended solely for the purpose of defining the relative rights of the Holders of the Subordinated Securities, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

Section ___.5 Obligation of the Issuer Unconditional. Nothing contained in this Article ____ or elsewhere in this Indenture or in any Subordinated Security is intended to or shall impair, as among the Issuer, its creditors other than holders of Senior Indebtedness and the Holders of Subordinated Securities, the obligation of the Issuer, which is absolute and unconditional, to pay to the Holders of Subordinated Securities the principal of, and interest on, Subordinated Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of Subordinated Securities and creditors of the Issuer other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Subordinated Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article ____ of the holders of Senior Indebtedness in respect of cash, property or securities of the Issuer received upon the exercise of any such remedy. Upon any payment or distribution of assets of the Issuer referred to in this Article ____, the Trustee and Holders of Subordinated Securities shall be entitled to rely upon any order or

decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or reorganization proceedings are pending, or, subject to the provisions of Section ___ and ___, a certificate of the receiver, trustee in bankruptcy, liquidating trustee or agent or other Person making such payment or distribution to the Trustee or the Holders of Subordinated Securities, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Issuer, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article ____.

Nothing contained in this Article ____ or elsewhere in this Indenture or in any Subordinated Security is intended to or shall affect the obligation of the Issuer to make, or prevent the Issuer from making, at any time except during the pendency of any dissolution, winding up, liquidation or reorganization proceeding, and, except as provided in subsections (a) and (b) of Section ___.2, payments at any time of the principal of, or interest on, Subordinated Securities.

Section ___.6 Trustee Entitled to Assume Payments Not Prohibited in Absence of Notice. The Issuer shall give prompt written notice to the Trustee of any fact known to the Issuer which would prohibit the making of any payment or distribution to or by the Trustee in respect of the Subordinated Securities. Notwithstanding the provisions of this Article ____ or any provision of this Indenture, the Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment or distribution to or by the Trustee, unless at least two Business Days prior to the making of any such payment, the Trustee shall have received written notice thereof from the Issuer or from one or more holders of Senior Indebtedness or from any representative thereof or from any trustee therefor, together with proof satisfactory to the Trustee of such holding of Senior Indebtedness or of the authority of such representative or trustee; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Sections ___ and ___, shall be entitled to assume conclusively that no such facts exist. The Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a representative or trustee on behalf of the holder) to establish that such notice has been given by a holder of Senior Indebtedness (or a representative of or trustee on behalf of any such holder). In the event that the Trustee determines, in good faith, that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payments or distribution pursuant of this Article ____, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, as to the extent to which such Person is entitled to participate in such payment or distribution, and as to other facts pertinent to the rights of such Person under this Article ____, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment. The Trustee, however, shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and nothing in this Article ____ shall apply to claims of, or payments to, the Trustee under or pursuant to Section ___.

Section ___.7 Application by Trustee of Monies or Government Obligations Deposited with It. Money or Government Obligations deposited in trust with the Trustee pursuant to and in accordance with Section ____ shall be for the sole benefit of Securityholders

and, to the extent allocated for the payment of Subordinated Securities, shall not be subject to the subordination provisions of this Article ____, if the same are deposited in trust prior to the happening of any event specified in Section ___.2. Otherwise, any deposit of monies or Government Obligations by the Issuer with the Trustee or any paying agent (whether or not in trust) for the payment of the principal of, or interest on, any Subordinated Securities shall be subject to the provisions of Section ___.1, ___.2 and ___.3 except that, if prior to the date on which by the terms of this Indenture any such monies may become payable for any purposes (including, without limitation, the payment of the principal of, or the interest, if any, on any Subordinated Security) the Trustee shall not have received with respect to such monies the notice provided for in Section ___.6, then the Trustee or the paying agent shall have full power and authority to receive such monies and Government Obligations and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such date. This Section ___.7 shall be construed solely for the benefit of the Trustee and paying agent and, as to the first sentence hereof, the Securityholders, and shall not otherwise effect the rights of holders of Senior Indebtedness.

Section ___.8 Subordination Rights Not Impaired by Acts or Omissions of Issuer or Holders of Senior Indebtedness. No rights of any present or future holders of any Senior Indebtedness to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Issuer or by any act or failure to act, in good faith, by any such holders or by any noncompliance by the Issuer with the terms of this Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness of the Issuer may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Subordinated Securities, without incurring responsibility to the Holders of the Subordinated Securities and without impairing or releasing the subordination provided in this Article ____ or the obligations hereunder of the Holders of the Subordinated Securities to the holders of such Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Indebtedness, or otherwise amend or supplement in any manner such Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Indebtedness; (iii) release any Person liable in any manner for the collection for such Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Issuer, as the case may be, and any other Person.

Section ___.9 Securityholders Authorize Trustee to Effectuate Subordination of Securities. Each Holder of Subordinated Securities by his acceptance thereof authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article ____ and appoints the Trustee his attorney-in-fact for such purpose, including in the event of any dissolution, winding up, liquidation or reorganization of the Issuer (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise) the immediate filing of a claim for the unpaid balance of his Subordinated Securities in the form required in said proceedings and causing said claim to be approved. If the Trustee does not file a proper claim or

proof of debt in the form required in such proceeding prior to 30 days before the expiration of the time to file such claim or claims, then the holders of Senior Indebtedness have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Securities.

Section ___.10 Right of Trustee to Hold Senior Indebtedness. The Trustee in its individual capacity shall be entitled to all of the rights set forth in this Article ____ in respect of any Senior Indebtedness at any time held by it to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness of the Issuer, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article ____, and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of such Senior Indebtedness and, subject to the provisions of Sections ___.2 and ___.3, the Trustee shall not be liable to any holder of such Senior Indebtedness if it shall pay over or deliver to Holders of Subordinated Securities, the Issuer or any other Person money or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article ____ or otherwise.

Section ___.11 Article ____ Not to Prevent Events of Defaults. The failure to make a payment on account of principal or interest by reason of any provision in this Article ____ shall not be construed as preventing the occurrence of an Event of Default under Section ____.

EXHIBIT F

TERMS OF SUBORDINATION

[GUARANTY OF HYBRID PREFERRED SECURITIES]

SECTION ___. This Guarantee will constitute an unsecured obligation of the Guarantor and will rank subordinate and junior in right of payment to all other liabilities of the Guarantor and pari passu with any guarantee now or hereafter entered into by the Guarantor in respect of the securities representing common beneficial interests in the assets of the Issuer or of any preferred or preference stock of any affiliate of the Guarantor.

EXHIBIT G

FORM OF BOND DELIVERY AGREEMENT

BOND DELIVERY AGREEMENT

CONSUMERS ENERGY COMPANY

TO

BANK ONE, NA, AS AGENT

Dated as of March 27, 2003

Relating to
First Mortgage Bonds,

2003 Collateral Series (Zero Rate)

and

2003 Collateral Series (Interest Bearing)

THIS BOND DELIVERY AGREEMENT (this "Agreement"), dated as of March 27, 2003, is between Consumers Energy Company (the "Company"), and Bank One, NA, as agent (the "Agent") under the Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") dated as of March 27, 2003, among the Company, the financial institutions parties thereto (the "Banks"), and the Agent. Capitalized terms used but not otherwise defined herein have the respective meanings assigned to such terms in the Credit Agreement.

Whereas, the Company has entered into the Credit Agreement and may from time to time make borrowings thereunder in accordance with the provisions thereof;

Whereas, the Company has established its First Mortgage Bonds, 2003 Collateral Series (Interest Bearing) and its First Mortgage Bonds, 2003 Collateral Series (Zero Rate), in the aggregate principal amount of $265,000,000 (collectively, the "Bonds"), to be issued under and in accordance with the Eighty-eighth Supplemental Indenture dated as of March 27, 2003 (the "Supplemental Indenture"), to the Indenture of the Company to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) dated as of September 1, 1945 (as amended and supplemented, the "Indenture"); and

Whereas, the Company proposes to issue and deliver to the Agent, for the benefit of the Banks, the Bonds in order to provide the Bonds as evidence of (and the benefit of the lien of the Indenture with respect to the Bonds for) the Obligations of the Company arising under the Credit Agreement.

Now, therefore, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Company and the Agent hereby agree as follows:

ARTICLE I

THE BONDS

Section 1.1 Delivery of Bonds.

In order to provide the Bonds as evidence of (and through the Bonds the benefit of the Lien of the Indenture for) the Obligations of the Company under the Credit Agreement as aforesaid, the Company hereby delivers to the Agent the Bonds in the aggregate principal amount of $265,000,000, maturing on March 26, 2004 or such later date as may be fixed as the "Termination Date" under and as defined in the Credit Agreement and bearing interest as provided in the Supplemental Indenture. The obligation of the Company to pay the principal of and interest on the Bonds shall be deemed to have been satisfied and discharged in full or in part, as the case may be, to the extent of payment by the Company of the Obligations, all as set forth in the Bonds and in Section 1 of the Supplemental Indenture.

The Bonds are registered in the name of the Agent and shall be owned and held by the Agent, subject to the provisions of this Agreement, for the benefit of the Banks, and the Company shall have no interest therein. The Agent shall be entitled to exercise all rights of bondholders under the Indenture with respect to the Bonds.

The Agent hereby acknowledges receipt of the Bonds.

Section 1.2 Payments on the Bonds.

Any payments received by the Agent on account of the principal of or interest on the Bonds shall be deemed to be and treated in all respects as payments of the Obligations, and such payments shall be distributed by the Agent to the Banks in accordance with the provisions of the Credit Agreement applicable to payments received by the Agent in respect of the Obligations (and the Company hereby consents to such distributions).

ARTICLE II

NO TRANSFER OF BONDS; SURRENDER OF BONDS

Section 2.1 No Transfer of the Bonds.

The Agent shall not sell, assign or otherwise transfer any Bonds delivered to it under this Agreement except to a successor administrative agent under the Credit Agreement. The Company may take such actions as it shall deem necessary, desirable or appropriate to effect compliance with such restrictions on transfer, including the issuance of stop-transfer instructions to the trustee under the Indenture or any other transfer agent thereunder.

Section 2.2 Surrender of Bonds.

(a) The Agent shall forthwith surrender to or upon the order of the Company all Bonds held by it at the first time at which the Commitments shall have been terminated and all Obligations shall have been paid in full.

(b) Upon any permanent reduction in the Aggregate Commitment pursuant to the terms of the Credit Agreement, the Agent shall forthwith surrender to or upon the order of the Company Bonds in an aggregate principal amount equal to the excess of the aggregate principal amount of Bonds held by the Agent over the Aggregate Commitment; provided that the Agent shall not surrender Interest Bearing Bonds at any time that Zero Rate Bonds are outstanding.

ARTICLE III

GOVERNING LAW

This Agreement shall construed in accordance with and governed by the internal laws (without regard to the conflict of laws provisions) of the State of New York, but giving effect to Federal laws applicable to national banks.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company and the Agent have caused this Agreement to be executed and delivered as of the date first above written.

CONSUMERS ENERGY COMPANY

____

Name:
Title:

BANK ONE, NA, as Agent

____

Name:
Title:

PRICING SCHEDULE

The Applicable Margin shall be determined pursuant to the table below based on the lower of the S&P Rating and the Moody's Rating.

Ratings	S&P Rating of BBB+ or Moody's Rating of Baa1	S&P Rating of BBB or Moody's Rating of Baa2	S&P Rating of BBB- or Moody's Rating of Baa3	S&P Rating of BB+ or Moody's Rating of Ba1	S&P Rating of BB or Moody's Rating of Ba2	S&P Rating lower than BB or Moody's Rating lower than Ba2
Eurodollar Rate +	3.00%	3.25%	3.50%	3.75%	4.00%	4.50%
Alternate Base Rate +	2.00%	2.25%	2.50%	2.75%	3.00%	3.50%

For purposes of the forgoing table:

"Moody's Rating" means, at any time, the rating issued by Moody's and then in effect with respect to the Senior Debt.

"S&P Rating" means, at any time, the rating issued by S&P and then in effect with respect to the Senior Debt.

The Commitment Fee Rate shall be determined as follows:

(a) If the Aggregate Outstanding Credit Exposure is greater than 66-2/3% of the Aggregate Commitment, then the Commitment Fee Rate shall be 0.50%.

(b) If the Aggregate Outstanding Credit Exposure is equal to or less than 66-2/3%, but greater than 33-1/3%, of the Aggregate Commitment, then the Commitment Fee Rate shall be 0.75%.

(c) If the Aggregate Outstanding Credit Exposure is equal to or less than 33-1/3% of the Aggregate Commitment, then the Commitment Fee Rate shall be 1.00%.

COMMITMENT SCHEDULE

BANK	COMMITMENT
Bank One, NA	$ 30,000,000
Barclays Bank PLC	$ 30,000,000
Citicorp North America, Inc.	$ 30,000,000
JP Morgan Chase Bank	$ 30,000,000
Union Bank of California, N.A.	$ 30,000,000
Wachovia Bank, National Association	$ 30,000,000
Standard Federal Bank N.A.	$ 25,000,000
Huntington National Bank	$ 20,000,000
Comerica Bank	$ 15,000,000
The Fifth Third Bank	$ 10,000,000
AGGREGATE COMMITMENT	$250,000,000

EXHIBIT 4(g)

Execution Version

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TERM LOAN AGREEMENT

Dated as of March 28, 2003

among

CONSUMERS ENERGY COMPANY,
as the Borrower,

THE FINANCIAL INSTITUTIONS NAMED HEREIN,
as the Banks,

and

CITICORP NORTH AMERICA, INC.,
as Agent

==

SALOMON SMITH BARNEY INC.

as Lead Arranger and Sole Book Runner

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Commitment Schedule

EXHIBITS

Exhibit A	Form of Supplemental Indenture
Exhibit B-1	Required Opinions from Michael D. VanHemert, Esq.
Exhibit B-2	Required Opinions from Skadden, Arps, Slate, Meagher & Flom LLP
Exhibit B-3	Required Opinions from Miller, Canfield, Paddock and Stone, P.L.C.
Exhibit C	Form of Compliance Certificate
Exhibit D	Form of Assignment and Assumption Agreement
Exhibit E	Terms of Subordination (Junior Subordinated Debt)
Exhibit F	Terms of Subordination (Guaranty of Hybrid Preferred Securities)
Exhibit G	Form of Bond Delivery Agreement

TERM LOAN AGREEMENT

This Term Loan Agreement, dated as of March 28, 2003, is among Consumers Energy Company, a Michigan corporation (the "Company"), the financial institutions listed on the signature pages hereof (together with their respective successors and assigns, the "Banks") and Citicorp North America, Inc., a Delaware corporation, as Agent.

ARTICLE I
DEFINITIONS

1.1 Definitions. As used in this Agreement:

"Affiliate" means, as applied to any specified Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with, such specified Person and includes each officer or director or general partner of such Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with") as applied to any specified Person means the possession, directly or indirectly, of the power to vote five percent (5.0%) or more of the Voting Stock or otherwise to direct or cause the direction of, the management and policies of such Person, whether through the ownership of Voting Stock, by contract or otherwise. "Affiliated" has a correlative meaning to Affiliate.

"Agent" means Citicorp in its capacity as administrative agent for the Banks pursuant to Article XIII, and not in its individual capacity as a Bank, and any successor Agent appointed pursuant to Article XIII.

"Agreement" means this Term Loan Agreement, as amended from time to time.

"Applicable Margin" means, with respect to Eurodollar Rate Loans at any time, 4.50% per annum, and with respect to Floating Rate Loans at any time, 3.50% per annum.

"Approved Fund" means, with respect to any Bank that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Bank or by an affiliate of such investment advisor.

"Arranger" means Salomon Smith Barney Inc., a New York corporation, and its successors, in its capacity as Lead Arranger and Sole Book Runner.

"Article" means an article of this Agreement unless another document is specifically referenced.

"Assignment Agreement" - see Section 12.1(e).

"Banks" - see the preamble.

"Base Eurodollar Rate" means, with respect to any Interest Period applicable to a Borrowing of Eurodollar Rate Loans, the per annum interest rate determined by the offered rate

per annum at which deposits in Dollars appears on Telerate page 3750 (or any successor page) as of 11:00 a.m. (London time), or in the event such offered rate is not available from the Telerate page, the rate offered on deposits in Dollars by Citibank's London Office to prime banks in the London interbank market at 11:00 a.m. (London time), on the Eurodollar Interest Rate Determination Date for such Interest Period and in an amount substantially equal to the amount of the Eurodollar Rate Loan to be outstanding from Citicorp North America, Inc. for such Interest Period.

"Base Rate" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the highest of:

(i) the rate of interest announced publicly by Citibank in New York, New York from time to time, as Citibank's base rate; and

(ii) the sum (adjusted to the nearest one-quarter of one percent (0.25%) or, if there is no nearest one-quarter of one percent (0.25%), to the next higher one-quarter of one percent (0.25%)) of (A) one- half of one percent (0.50%) per annum plus (B) the rate per annum obtained by dividing (I) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if any such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday (or, if such day is not a Business Day, on the next preceding Business Day) by Citibank on the basis of such rates reported by certificate of deposit dealers to, and published by, the Federal Reserve Bank of New York, or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three (3) New York certificate of deposit dealers of recognized standing selected by Citibank, by (II) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the FRB for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank in respect of liabilities consisting of or including (among other liabilities) three- month U.S. dollar nonpersonal time deposits in the United States plus (C) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring U.S. dollar deposits of Citibank in the United States; and

(iii) the sum of (A) one- half of one percent (0.50%) per annum plus (B) the Federal Funds Rate in effect from time to time during such period.

"Bond Delivery Agreement" means a bond delivery agreement substantially in the form of Exhibit G whereby the Agent (x) acknowledges delivery of the Bonds and (y) agrees to hold the Bonds for the benefit of the Banks and to distribute all payments made by the Company on account thereof to the Banks.

"Bonds" means a series of First Mortgage Bonds created under the Supplemental Indenture issued in favor of, and in form and substance satisfactory to, the Agent.

"Borrowing" means a borrowing consisting of Term Loans of the same Type made, continued or converted on the same day and, in the case of Eurodollar Rate Loans, having the same Interest Period.

"Building Lease" means the Master Lease and Lease Supplement, each dated as of April 23, 2001, between Consumers Campus Holdings, LLC, a wholly owned Subsidiary of the Company, as lessee, and Wilmington Trust Company, not in its individual capacity but solely as owner Trustee of CEC Trust 2001-A, as lessor, together with certain other related agreements, as the same may be amended, restated or otherwise modified and any similar agreement entered into in replacement thereof.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Eurodollar Advances, a day (other than a Saturday or Sunday) on which banks generally are open in New York, New York for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in New York, New York for the conduct of substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Capital Lease" means any lease which has been or would be capitalized on the books of the lessee in accordance with GAAP.

"Citibank" means Citibank, N.A., a national banking association.

"Citicorp" means Citicorp North America, Inc., a Delaware corporation, in its individual capacity, and its successors and assigns.

"Citigroup Parties" means Citibank, Citicorp, the Arranger and each of their respective Affiliates, and each of their respective officers, directors, employees, agents, advisors, and representatives.

"CMS" means CMS Energy Corporation, a Michigan corporation.

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

"Commitment Schedule" means the Schedule identifying each Bank's Term Loan Commitment as of the date hereof attached hereto and identified as such.

"Company" - see the preamble.

"Communications" is defined in Section 14.3.

"Consolidated EBIT" means for any period, Consolidated Net Income for such period plus, (i) to the extent deducted from revenues in determining Consolidated Net Income (without

duplication), (a) Consolidated Interest Expense, (b) expense for taxes paid or accrued, and (c) any non-cash write-offs and write-downs contained in the Company's Consolidated Net Income, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts, minus, (ii) to the extent included in Consolidated Net Income, extraordinary gains realized other than in the ordinary course of business, all calculated for the Company and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means with respect to any period for which the amount thereof is to be determined, an amount equal to interest expense on Debt (excluding any Hybrid Preferred Securities), including payments in the nature of interest under Capital Leases, all calculated for the Company and its Subsidiaries on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Company and its Subsidiaries calculated on a consolidated basis for such period.

"Consolidated Subsidiary" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of the Company in accordance with GAAP.

"Conversion/Continuation Notice" - see Section 2.6(b).

"Credit Agreement" means that certain Credit Agreement, dated as of March 27, 2003, by and among the Company, the banks from time to time parties thereto, and Bank One, NA, as agent thereunder, as amended, restated, supplemented or otherwise modified from time to time.

"Debt" means, with respect to any Person, and without duplication, (a) all indebtedness of such Person for borrowed money, (b) all indebtedness of such Person for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business which are not overdue), (c) all Unfunded Vested Liabilities of such Person (if such Person is not the Company, determined in a manner analogous to that of determining Unfunded Vested Liabilities of the Company), (d) all obligations of such Person arising under acceptance facilities, (e) all obligations of such Person as lessee under Capital Leases, (f) all obligations of such Person arising under any interest rate swap, "cap", "collar" or other hedging agreements; provided, however, for purposes of the calculation of Debt for this clause (f) only, the actual amount of Debt of such Person shall be determined on a net basis to the extent such agreements permit such amounts to be calculated on a net basis, and (g) all guaranties, endorsements (other than for collection in the ordinary course of business) and other contingent obligations of such Person to assure a creditor against loss (whether by the purchase of goods or services, the provision of funds for payment, the supply of funds to invest in any Person or otherwise) in respect of indebtedness or obligations of any other Person of the kinds referred to in clauses (a) through (f) above.

"Default" means an event which but for the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Designated Officer" means the Chief Financial Officer, the Treasurer, an Assistant Treasurer, any Vice President in charge of financial or accounting matters or the principal accounting officer of the Company.

"Effective Date" means March 28, 2003.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any corporation or trade or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Company or is under common control (within the meaning of Section 414(c) of the Code) with the Company.

"Eurodollar Interest Rate Determination Date" means the second Business Day prior to the first day of each Interest Period.

"Eurodollar Rate" means, with respect to any Interest Period applicable to a Eurodollar Rate Loan, an interest rate per annum equal to the sum of (i) the quotient obtained by dividing (a) the Base Eurodollar Rate applicable to that Interest Period by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to that Interest Period plus (ii) the Applicable Margin.

"Eurodollar Rate Loan" means a Term Loan which bears interest by reference to the Eurodollar Rate.

"Event of Default" means an event described in Article IX.

"Excluded Taxes" means, in the case of each Bank or applicable Lending Installation and the Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Bank or the Agent is incorporated or organized or (ii) the jurisdiction in which the Agent's or such Bank's principal executive office or such Bank's applicable Lending Installation is located.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day in New York, New York, for the next preceding Business Day) in New York, New York by the Federal Reserve Bank of New York, or if such rate is not so published for any day which is a Business Day in New York, New York, the average of the quotations for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by the Agent.

"Fee Letter" means the fee letter dated March [7], 2003 among the Company, the Arranger and Citicorp.

"First Mortgage Bonds" means bonds issued by the Company pursuant to the Indenture.

"Fitch" means Fitch, Inc. or any successor thereto.

"Floating Rate" means a rate per annum equal to (i) the Base Rate plus (ii) the Applicable Margin, changing when and as the Base Rate changes.

"Floating Rate Loan" means a Term Loan which bears interest at the Floating Rate.

"FRB" means the Board of Governors of the Federal Reserve System or any successor thereto.

"GAAP" means generally accepted accounting principles in the United States of America as in effect on the date hereof, applied on a basis consistent with those used in the preparation of the financial statements referred to in Section 5.5 (except, for purposes of the financial statements required to be delivered pursuant to Sections 6.7(b) and (c), for changes concurred in by the Company's independent public accountants).

"Hybrid Preferred Securities" means any preferred securities issued by a Hybrid Preferred Securities Subsidiary, where such preferred securities have the following characteristics;

(i) such Hybrid Preferred Securities Subsidiary lends substantially all of the proceeds from the issuance of such preferred securities to the Company or a wholly-owned direct or indirect Subsidiary of the Company in exchange for Junior Subordinated Debt issued by the Company or such wholly-owned direct or indirect Subsidiary, respectively;

(ii) such preferred securities contain terms providing for the deferral of interest payments corresponding to provisions providing for the deferral of interest payments on the Junior Subordinated Debt; and

(iii) the Company or a wholly-owned direct or indirect Subsidiary of the Company (as the case may be) makes periodic interest payments on the Junior Subordinated Debt, which interest payments are in turn used by the Hybrid Preferred Securities Subsidiary to make corresponding payments to the holders of the preferred securities.

"Hybrid Preferred Securities Subsidiary" means any Delaware business trust (or similar entity) (i) all of the common equity interest of which is owned (either directly or indirectly through one or more wholly-owned Subsidiaries of the Company) at all times by the Company or a wholly-owned direct or indirect Subsidiary of the Company, (ii) that has been formed for the purpose of issuing Hybrid Preferred Securities and (iii) substantially all of the assets of which consist at all times solely of Junior Subordinated Debt issued by the Company or a wholly-owned direct or indirect Subsidiary of the Company (as the case may be) and payments made from time to time on such Junior Subordinated Debt.

"Indenture" means the Indenture, dated as of September 1, 1945, as supplemented and amended from time to time, from the Company to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as successor Trustee.

"Interest Period" means, with respect to a Eurodollar Advance, a period of one, two, three or six months, or such shorter or longer period agreed to by the Company and the Banks, commencing on a Business Day selected by the Company pursuant to this Agreement. Such Interest Period shall end on the day which corresponds numerically to such date one, two, three

or six months thereafter (or such shorter or longer period agreed to by the Company and the Banks), provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month (or such shorter or longer period, as applicable), such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month (or such shorter or longer period, as applicable). If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day. The Company may not select any Interest Period that ends after the Maturity Date.

"Junior Subordinated Debt" means any unsecured Debt of the Company or a Subsidiary of the Company (i) issued in exchange for the proceeds of Hybrid Preferred Securities and (ii) subordinated to the rights of the Banks hereunder and under the other Loan Documents pursuant to terms of subordination substantially similar to those set forth in Exhibit E. or pursuant to other terms and conditions satisfactory to the Majority Banks.

"Lending Installation" means any office, branch, subsidiary or affiliate of a Bank.

"Lien" means any lien (statutory or otherwise), security interest, mortgage, deed of trust, priority, pledge, charge, conditional sale, title retention agreement, financing lease or other encumbrance or similar right of others, or any agreement to give any of the foregoing.

"Loan" means a Floating Rate Loan or a Eurodollar Rate Loan.

"Loan Documents" means this Agreement, the Supplemental Indenture and the Bonds.

"Majority Banks" means, as of any date of determination, Banks whose Pro Rata Shares, in the aggregate, are 51% or greater as of such date.

"Material Adverse Change" means any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, assets, property, financial condition, results of operations or prospects of the Company and its Subsidiaries, considered as a whole, (b) the Company's ability to perform its obligations under this Agreement and the other Loan Documents or (c) the validity or enforceability of any Loan Document or the rights or remedies of the Agent or the Banks thereunder.

"Maturity Date" means March 28, 2006.

"Moody's" means Moody's Investors Service, Inc. or any successor thereto.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds of Sale" means proceeds received by the Company in cash (including cash, equivalents readily convertible into cash, and such proceeds of any notes received as consideration of any other non-cash consideration) from the sale, assignment or other disposition of (but not the lease or license of) any Property, other than sales of inventory in the ordinary course of business and sales of accounts receivable pursuant to the Receivables Sale

Agreement, net of (A) the costs of sale, assignment or other disposition, (B) any income, franchise, transfer or other tax liability arising from such transaction and (C) amounts applied to the repayment of Debt (other than the Obligations) secured by a Lien permitted by Section 7.1 on the asset disposed of, if such net proceeds arise from any individual sale, assignment or other disposition or from any group of related sales, assignments or other dispositions.

"Net Proceeds" means, with respect to any sale or issuance of securities or incurrence of Debt by any Person, the excess of (i) the gross cash proceeds received by or on behalf of such Person in respect of such sale, issuance or incurrence (as the case may be) over (ii) customary underwriting commissions, auditing and legal fees, printing costs, rating agency fees and other customary and reasonable fees and expenses incurred by such Person in connection therewith.

"Net Worth" means, with respect to any Person, the excess of such Person's total assets over its total liabilities, total assets and total liabilities each to be determined in accordance with GAAP consistently applied, excluding, however, from the determination of total assets (i) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, (ii) cash held in a sinking or other analogous fund established for the purpose of redemption, retirement or prepayment of capital stock or Debt, and (iii) any items not included in clauses (i) or (ii) above, that are treated as intangibles in conformity with GAAP.

"Non-U.S. Bank" - see Section 4.5(d).

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Term Loans and all other obligations of the Company to the Banks or to any Bank or the Agent or Arranger arising under the Loan Documents.

"Off-Balance Sheet Liability" of a Person means (i) any repurchase obligation or liability of such Person with respect to accounts or notes receivable sold by such Person, (ii) any liability under any sale and leaseback transaction which is not a Capital Lease, (iii) any liability under any so-called "synthetic lease" transaction entered into by such Person, or (iv) any obligation arising with respect to any other transaction which is the functional equivalent of or takes the place of borrowing but which does not constitute a liability on the balance sheets of such Person, but excluding from this clause (iv) Operating Leases.

"Operating Lease" of a Person means any lease of Property (other than a Capital Lease) by such Person as lessee.

"Other Taxes" - see Section 4.5(b).

"Outstanding Term Loan" - see the Recitals.

"Payment Date" means the second Business Day of each calendar quarter occurring after the Effective Date.

"PBGC" means the Pension Benefit Guaranty Corporation and any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

"Plan" means any employee benefit plan (other than a Multiemployer Plan) maintained for employees of the Company or any ERISA Affiliate and covered by Title IV of ERISA.

"Platform" is defined in Section 14.3.

"Primary Web Portal" is defined in Section 14.3.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Pro Rata Share" means, with respect to any Bank, at any time, the percentage obtained by dividing (i) the outstanding principal balance of such Bank's Term Loan at such time by (ii) the outstanding principal balance of all Term Loans.

"Receivables Sale Agreement" means the Amended and Restated Receivables Sale Agreement among the Company, Asset Securitization Cooperative Corporation and Canadian Imperial Bank of Commerce, dated as of April 1, 2002, as the same may be amended, restated or otherwise modified and any similar agreement entered into in replacement thereof.

"Regulation D" means Regulation D of the FRB from time to time in effect and shall include any successor or other regulation or official interpretation of said FRB relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Regulation U" means Regulation U of the FRB from time to time in effect and shall include any successor or other regulation or official interpretation of said FRB relating to the extension of credit by banks, non-banks and non-broker-dealers for the purpose of purchasing or carrying margin stocks.

"Reportable Event" has the meaning assigned to that term in Title IV of ERISA.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"S&P" means Standard and Poor's Rating Services, a division of The McGraw Hill Companies, Inc. or any successor thereto.

"SEC" means the Securities and Exchange Commission or any governmental authority which may be substituted therefor.

"Section" means a numbered section of this Agreement, unless another document is specifically referenced.

"Securitized Bonds" shall mean any nonrecourse bonds or similar asset-backed securities issued by a special-purpose Subsidiary of the Company which are payable solely from specialized charges authorized by the utility commission of the relevant state in connection with the recovery of regulatory assets, other stranded costs or other "Qualified Costs" (as defined in M.C.L. 460.10h(g)) authorized to be securitized by the Michigan Public Service Commission.

"Senior Debt" means the First Mortgage Bonds.

"September 2002 Loan Agreement Obligations" means the "Obligations" as defined in that certain Amended and Restated Term Loan Agreement dated as of September 26, 2002 among Consumers Energy Company as borrower, Citicorp North America, Inc. as agent and the financial institutions party thereto as banks (as amended or modified from time to time).

"Single Employer Plan" means a Plan maintained by the Company or any ERISA Affiliate for employees of the Company or any ERISA Affiliate.

"Subsidiary" means, as to any Person, any corporation or other entity of which at least a majority of the securities or other ownership interests having ordinary voting power (absolutely or contingently) for the election of directors or other Persons performing similar functions are at the time owned directly or indirectly by such Person.

"Supplemental Indenture" means a supplemental indenture substantially in the form of Exhibit A.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes and Other Taxes.

"Termination Event" means (a) a Reportable Event described in Section 4043 of ERISA and the regulations issued thereunder (other than a Reportable Event not subject to the provision for 30-day notice to the PBGC under such regulations), or (b) the withdrawal of the Company or any of its ERISA Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001 (a) (2) of ERISA, or (c) the filing of a notice of intent to terminate a Plan or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, or (d) the institution of proceedings to terminate a Plan by the PBGC or to appoint a trustee to administer any Plan.

"Term Loan Commitment" means, for each Bank, the obligation of such Bank to make a term loan to the Company on the Effective Date in an amount not exceeding the amount set forth on the Commitment Schedule as its Term Loan Commitment.

"Term Loans" - see Section 2.1.

"Total Consolidated Capitalization" means, at any date of determination, the sum of (a) Total Consolidated Debt, (b) equity of the common stockholders of the Company, (c) equity of the preference stockholders of the Company and (d) equity of the preferred stockholders of the Company, in each case determined at such date.

"Total Consolidated Debt" means, at any date of determination, the aggregate Debt of the Company and its Consolidated Subsidiaries; provided, that Total Consolidated Debt shall exclude (i) the principal amount of any Securitized Bonds, (ii) any Junior Subordinated Debt owned by any Hybrid Preferred Securities Subsidiary, (iii) any guaranty by the Company of payments with respect to any Hybrid Preferred Securities, provided that such guaranty is subordinated to the rights of the Banks hereunder and under the other Loan Documents pursuant to terms of subordination substantially similar to those set forth in Exhibit F, or pursuant to other terms and conditions satisfactory to the Majority Banks, (iv) such percentage of the Net Proceeds from any issuance of hybrid debt/equity securities (other than Junior Subordinated Debt and Hybrid Preferred Securities) by the Company or any Consolidated Subsidiary as shall be agreed to be deemed equity by the Agent and the Company prior to the issuance thereof (which determination shall be based on, among other things, the treatment (if any) given to such securities by the applicable rating agencies).

"Type" means, with respect to any Loan, the character of such Loan as a Eurodollar Rate Loan or a Floating Rate Loan.

"Unfunded Vested Liabilities" means, (i) in the case of Single Employer Plans, the amount (if any) by which the present value of all vested nonforfeitable benefits under such Plan exceeds the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, and (ii) in the case of Multiemployer Plans, the withdrawal liability of the Company and its ERISA Affiliates.

"Voting Stock" means, with respect to any Person, shares, securities, limited liability company interests, general or limited partnership interests or other equivalents with respect to any class or classes of capital stock of such Person entitling any holder thereof (whether at all times or only so long as no senior class of capital stock has voting power by reason of any contingency) (a) in the case of a corporation (or equivalent organization), to vote in the election of members of the board of directors (or the equivalent thereof) of such Person, (b) in the case of a limited liability company, to vote in the election of managers of such Person or to bind or otherwise act as agent for such Person, (c) in the case of a limited partnership, to vote on the admission of the general partner of such Person or to bind or otherwise act as agent for such Person or (iv) in the case of a general partnership, to bind or otherwise act as agent for such Person.

1.2 Singular and Plural. The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

1.3 Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. If any changes in generally accepted accounting principles are hereafter required or permitted and are adopted by the Company or any of its Subsidiaries, or the Company or any of its Subsidiaries shall change its application of generally accepted accounting principles with respect to any Off-Balance Sheet Liabilities, in each case, with the agreement of its independent certified public accountants and such changes result in a change in the method of calculation of any of the financial covenants, tests, restrictions or standards herein or in the related definitions or terms used therein ("Accounting Changes"), the parties hereto agree, at the Company's request, to enter into negotiations, in good faith, in order to amend such

provisions in a credit neutral manner so as to reflect equitably such changes with the desired result that the criteria for evaluating the Company's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; provided, however, until such provisions are amended in a manner reasonably satisfactory to the Agent, the Arranger and the Majority Banks, no Accounting Change shall be given effect in such calculations. In the event such amendment is entered into, all references in this Agreement to GAAP shall mean generally accepted accounting principles as of the date of such amendment.

ARTICLE II
THE TERM LOANS

2.1 The Term Loans. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make a term loan to the Company on the Effective Date in an amount equal to such Bank's Term Loan Commitment (each individually, a "Term Loan" and, collectively, the "Term Loans "). The Term Loans shall initially be Floating Rate Loans and thereafter may be continued as Floating Rate Loans or converted into Eurodollar Rate Loans in the manner provided in Section 2.6.

2.2 Making of Term Loans. Not later than 1:00 p.m. (New York time) on the Effective Date, each Bank shall make available its applicable Term Loan in funds immediately available in New York to the Agent at its address specified pursuant to Section 14. To the extent funds are received from the Banks, the Agent will make such funds available to the Company at the Agent's aforesaid address. No Bank's obligation to make any Term Loan shall be affected by any other Bank's failure to make any Term Loan.

2.3 Repayment of Term Loans. The Term Loans shall be paid in full on the Maturity Date.

2.4 Optional Principal Payments. The Company may, upon at least three (3) Business Days' prior written notice to the Agent (which the Agent shall promptly transmit to each Bank), at any time and from time to time, without penalty or premium, prepay the Term Loans which are Floating Rate Loans, in whole or in part. Term Loans which are Eurodollar Rate Loans may be prepaid in whole or in part upon at least five (5) Business Days' prior written notice to the Agent (which the Agent shall promptly transmit to each Bank), (A) on the expiration date of the then applicable Interest Period therefor, and (B) on any other date upon payment of the amounts required by Section 4.4, but otherwise without penalty or premium. Any notice of prepayment given to the Agent under this Section 2.4 shall specify the date (which shall be a Business Day) of prepayment, the aggregate principal amount of the prepayment and any allocation of such amount among Floating Rate Loans and Eurodollar Rate Loans. When notice of prepayment is delivered as provided herein, the principal amount of the Term Loans specified in the notice shall become due and payable on the prepayment date specified in such notice. Unless the aggregate outstanding principal balance of the Term Loans is to be prepaid in full, voluntary prepayments of the Term Loans shall be in an aggregate minimum amount of $10,000,000 and integral multiples of $1,000,000 in excess of that amount. Each voluntary prepayment of the Term Loans shall be allocated first to Term Loans which are Floating Rate Loans until paid in full and then to Term Loans which are Eurodollar Rate Loans. Amounts prepaid hereunder may not be

reborrowed. Upon any prepayment of the Term Loans pursuant to the terms of this Section 2.4, the Agent shall, upon request of the Company, promptly surrender to or upon the order of the Company one or more Bonds specified by the Company; provided that the Company remains in compliance with Section 6.10.

2.5 Mandatory Prepayments. After repayment of the September 2002 Loan Agreement Obligations, the Company shall make mandatory prepayments of the Term Loans as provided in this Section 2.5. Within three Business Days after the Company's receipt of any Net Cash Proceeds of Sale, the Company shall make a written offer to the Banks to prepay the Term Loans by an amount equal to 50% of such Net Cash Proceeds of Sale; provided, however, that (i) the Company may retain up to an aggregate of $100,000,000 of such Net Cash Proceeds of Sale during the period beginning on September 26, 2002 and ending upon irrevocable payment of the Obligations before it shall be required to make any such mandatory offer, and (ii) the Company shall not be required to make any such mandatory offer unless and until the aggregate amount of such mandatory offer (on a cumulative basis) would be at least $1,000,000. Such offer shall be transmitted by facsimile and by overnight courier to each Bank and shall be deemed received on the Business Day following transmittal. Each Bank shall have three Business Days following its receipt of such offer to submit a written response to the Company's prepayment offer, and if any Bank shall not have responded by the close of business on the third Business Day, it shall be deemed to have accepted such offer. Payment shall be made to the Agent for the account of all Banks that have accepted the prepayment offer on the fourth Business Day following their receipt of the offer from the Company. If any Bank elects not to accept its Pro Rata Share thereof, such prepayment shall be applied ratably to the Term Loans of the Banks that have accepted such offer. Amounts prepaid hereunder may not be reborrowed. Upon any prepayment of the Term Loans pursuant to the terms of this Section 2.5, the Agent shall, upon request of the Company, promptly surrender to or upon the order of the Company one or more Bonds specified by the Company; provided that the Company remains in compliance with Section 6.10.

2.6 Conversion or Continuation. (a) The Company shall have the option (A) to convert at any time all or any part of outstanding Floating Rate Loans to Eurodollar Rate Loans; (B) to convert all or any part of outstanding Eurodollar Rate Loans having Interest Periods which expire on the same date to Floating Rate Loans on such expiration date; or (C) to continue all or any part of outstanding Eurodollar Rate Loans having Interest Periods which expire on the same date as Eurodollar Rate Loans, and the succeeding Interest Period of such continued Loans shall commence on such expiration date; provided, however, no such outstanding Loan may be continued as, or be converted into, a Eurodollar Rate Loan (i) if the continuation of, or the conversion into, would violate any of the provisions of this Agreement or (ii) if a Default or Event of Default would occur or has occurred and is continuing. Any conversion into or continuation of Eurodollar Rate Loans under this Section 2.6 shall be in a minimum amount of $10,000,000 and in integral multiples of $1,000,000 in excess of that amount.

(b) To convert or continue a Loan under Section 2.6(a), the Company shall deliver an irrevocable notice (a "Conversion/Continuation Notice") to the Agent no later than 11:00 a.m. (New York time) at least three (3) Business Days in advance of the proposed conversion/continuation date. A Conversion/Continuation Notice shall specify (A) the proposed conversion/continuation date (which shall be a Business Day), (B) the principal amount of the Loan to be converted/continued, (C) whether such Loan shall be converted and/or continued, and

(D) in the case of a conversion to, or continuation of, a Eurodollar Rate Loan, the requested Interest Period. Promptly after receipt of a Conversion/Continuation Notice under this Section 2.6(b) (or telephonic notice in lieu thereof), the Agent shall notify each Bank by telex or telecopy, or other similar form of transmission, of the proposed conversion/continuation. Any Conversion/Continuation Notice for conversion to, or continuation of, a Loan (or telephonic notice in lieu thereof) shall be irrevocable, and the Company shall be bound to convert or continue in accordance therewith.

2.7 Interest Rates, Interest Payment Dates. (a) Subject to Section 2.8, each Term Loan shall bear interest as follows:

(i) if it is a Floating Rate Loan, at a rate per annum equal to the Floating Rate from time to time in effect; and

(ii) if it is a Eurodollar Rate Loan, at a rate per annum equal to the Eurodollar Rate for each applicable Interest Period therein.

Changes in the rate of interest on that portion of any Term Loan maintained as a Floating Rate Loan will take effect simultaneously with each change in the Floating Rate.

(b) Interest accrued on each Floating Rate Loan shall be payable on each Payment Date and at maturity. Interest accrued on each Eurodollar Rate Loan shall be payable on the last day of its applicable Interest Period, on any date on which such Eurodollar Rate Loan is prepaid and at maturity. Interest accrued on each Eurodollar Rate Loan having an Interest Period longer than three months shall also be payable on the last day of each three- month interval during such Interest Period. Interest on all Term Loans shall be calculated for actual days elapsed on the basis of a 360-day year. In computing interest on any Term Loan, the date of the making of the Term Loan or the first day of an Interest Period, as the case may be, shall be included and the date of payment or the expiration date an Interest Period, as the case may be, shall be excluded; provided, however, if a Term Loan is repaid on the same day on which it is made, one (1) day's interest shall be paid on such Term Loan. If any payment of principal of or interest on an Advance shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

2.8 Rate after Maturity. Any Term Loan not paid by the Company at maturity, whether by acceleration or otherwise, shall bear interest until paid in full at a rate per annum equal to the higher of the rate otherwise applicable thereto plus 2% or the Floating Rate plus 2%. All other Obligations that are not paid when due (including, without limitation, overdue interest beyond the applicable grace period) shall bear interest until paid in full at a rate per annum equal to the Floating Rate plus 2%. In addition, in the case of overdue interest beyond the applicable grace period, until such overdue interest is paid in full, the principal amount to which such interest relates shall also bear interest at a rate per annum equal to the higher of the rate otherwise applicable thereto plus 2% or the Floating Rate plus 2%.

2.9 Method of Payment. All payments of principal, interest and fees hereunder shall be made in immediately available funds to the Agent at its address specified on its signature page to this Agreement (or at any other Lending Installation of the Agent specified in writing by the

Agent to the Company) not later than 1:00 p.m. (New York time) on the date when due and shall be applied ratably by the Agent among the Banks. Funds received after such time shall be deemed received on the following Business Day unless the Agent shall have received from, or on behalf of, the Company a Federal Reserve reference number with respect to such payment before 1:00 p.m. (New York time) on the date of such payment. Each payment delivered to the Agent for the account of any Bank shall be delivered promptly by the Agent in the same type of funds received by the Agent to such Bank at the address specified for such Bank on its signature page to this Agreement or at any Lending Installation specified in a notice received by the Agent from such Bank. The Agent is hereby authorized to charge the account of the Company maintained with Citicorp, if any, for each payment of principal, interest and fees as such payment becomes due hereunder.

2.10 Evidence of Obligation; Telephonic Notices.

(a) The obligation of the Company to repay the Obligations shall be evidenced by one or more Bonds.

(b) Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Company to such Bank resulting from each Term Loan made by such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder.

(c) The Agent shall also maintain accounts in which it will record (i) the amount of each Term Loan made hereunder, the Type thereof and the Interest Period with respect thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Company to each Bank hereunder, and (iii) the amount of any sum received by the Agent hereunder from the Company and each Bank's share thereof.

(d) The entries maintained in the accounts maintained pursuant to paragraphs (b) and (c) above shall be prima facie evidence of the existence and amounts of the Obligations therein recorded; provided, however, that the failure of the Agent or any Bank to maintain such accounts or any error therein shall not in any manner affect the obligation of the Company to repay the Obligations in accordance with their terms.

(e) The Company hereby authorizes the Banks and the Agent to make, convert or continue Term Loans based on telephonic notices made by any person or persons the Agent or any Bank in good faith believes to be acting on behalf of the Company. The Company agrees to deliver promptly to the Agent a written confirmation of each telephonic notice signed by a Designated Officer. If the written confirmation differs in any material respect from the action taken by the Agent and the Banks, the records of the Agent and the Banks shall govern absent manifest error.

2.11 Lending Installations. Subject to the provisions of Section 4.6, each Bank may book its Term Loans at any Lending Installation selected by such Bank and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and the Term Loans shall be deemed held by the applicable Bank for the benefit of such Lending Installation. Each Bank may, by written or facsimile notice to the

Company, designate a Lending Installation through which Term Loans will be made by it and for whose account payments on the Term Loans are to be made.

2.12 Non-Receipt of Funds by the Agent. Unless a Bank or the Company, as the case may be, notifies the Agent prior to the date on which it is scheduled to make payment to the Agent of (i) in the case of a Bank, the proceeds of a Term Loan or (ii) in the case of the Company, a payment of principal, interest or fees to the Agent for the account of the Banks, that it does not intend to make such payment, the Agent may assume that such payment has been made. The Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon such assumption. If such Bank or the Company, as the case may be, has not in fact made such payment to the Agent, the recipient of such payment shall, on demand by the Agent, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Bank, the Federal Funds Rate for such day or (ii) in the case of payment by the Company, the interest rate applicable to the relevant Term Loan.

ARTICLE III
RESERVED

ARTICLE IV
CHANGE IN CIRCUMSTANCES

4.1 Yield Protection. (a) If any change in law or any governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any interpretation thereof by any agency or authority having jurisdiction over any Bank,

(i) subjects any Bank or any applicable Lending Installation to any increased tax, duty, charge or withholding on or from payments due from the Company (excluding taxation measured by or attributable to the overall net income of such Bank or applicable Lending Installation, whether overall or in any geographic area), or changes the rate of taxation of payments to any Bank in respect of its Term Loans or other amounts due it hereunder, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by any Bank or any applicable Lending Installation (including, without limitation, any reserve costs under Regulation D with respect to Eurocurrency liabilities (as defined in Regulation D)), or

(iii) imposes any other condition the result of which is to increase the cost to any Bank or any applicable Lending Installation of making, funding or maintaining Term Loans, or reduces any amount receivable by any Bank or any applicable Lending Installation in connection with Term Loans or requires any Bank or

any applicable Lending Installation to make any payment calculated by reference to its Term Loans or interest received by it, by an amount deemed material by such Bank, or

(iv) affects the amount of capital required or expected to be maintained by any Bank or Lending Installation or any corporation controlling any Bank and such Bank determines the amount of capital required is increased by or based upon the existence of this Agreement or its obligation to make Term Loans hereunder or of commitments of this type,

then, upon presentation by such Bank to the Company of a certificate (as referred to in the immediately succeeding sentence of this Section 4.1) setting forth the basis for such determination and the additional amounts reasonably determined by such Bank for the period of up to 90 days prior to the date on which such certificate is delivered to the Company and the Agent, to be sufficient to compensate such Bank in light of such circumstances, the Company shall within 30 days of such delivery of such certificate pay to the Agent for the account of such Bank the specified amounts set forth on such certificate. The affected Bank shall deliver to the Company and the Agent a certificate setting forth the basis of the claim and specifying in reasonable detail the calculation of such increased expense, which certificate shall be prima facie evidence as to such increase and such amounts. An affected Bank may deliver more than one certificate to the Company during the term of this Agreement. In making the determinations contemplated by the above-referenced certificate, any Bank may make such reasonable estimates, assumptions, allocations and the like that such Bank in good faith determines to be appropriate, and such Bank's selection thereof in accordance with this Section 4.1 shall be conclusive and binding on the Company, absent manifest error.

(b) No Bank shall be entitled to demand compensation or be compensated hereunder to the extent that such compensation relates to any period of time more than 90 days prior to the date upon which such Bank first notified the Company of the occurrence of the event entitling such Bank to such compensation (unless, and to the extent, that any such compensation so demanded shall relate to the retroactive application of any event so notified to the Company).

4.2 Replacement Bank. If any Bank shall make a demand for payment under Section 4.1, then within 30 days after such demand, the Company may, with the approval of the Agent (which approval shall not be unreasonably withheld) and provided that no Default or Event of Default shall then have occurred and be continuing, demand that such Bank assign to one or more financial institutions designated by the Company and approved by the Agent all (but not less than all) of such Bank's outstanding Term Loans within the period ending on the later of such 30th day and the last day of the longest of the then current Interest Periods or maturity dates for such outstanding Term Loans. It is understood that such assignment shall be consummated on terms satisfactory to the Company, the Agent and the assigning Bank, provided that such assigning Bank's consent to such an assignment shall not be unreasonably withheld.

4.3 Availability of Eurodollar Rate Loans. If:

(i) any Bank determines that maintenance of a Eurodollar Rate Loan at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, or

(ii) the Majority Banks determine that (A) deposits of a type and maturity appropriate to match fund Eurodollar Rate Loans are not available or (B) the Base Eurodollar Rate does not accurately reflect the cost of making or maintaining a Eurodollar Rate Loan,

then the Agent shall suspend the availability of Eurodollar Rate Loans and, in the case of clause (i), require any Eurodollar Rate Loans to be converted to Floating Rate Loans on such date as is required by the applicable law, rule, regulation or directive.

4.4 Funding Indemnification. If any payment of a Eurodollar Rate Loan occurs on a date which is not the last day of an applicable Interest Period, whether because of prepayment or otherwise, or a Eurodollar Rate Loan is not made on the date specified by the Company for any reason other than default by the Banks, the Company will indemnify each Bank for any loss or cost (but not lost profits) incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain such Eurodollar Rate Loan; provided that the Company shall not be liable for any of the foregoing to the extent they arise because of acceleration by any Bank.

4.5 Taxes.

(a) All payments by the Company to or for the account of any Bank or the Agent hereunder or under any Bond shall be made free and clear of and without deduction for any and all Taxes. If the Company shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Bank or the Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.5) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions, (iii) the Company shall pay the full amount deducted to the relevant authority in accordance with applicable law and (iv) the Company shall furnish to the Agent the original copy of a receipt evidencing payment thereof within 30 days after such payment is made.

(b) In addition, the Company hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under any Bond or from the execution or delivery of, or otherwise with respect to, this Agreement or any Bond ("Other Taxes").

(c) The Company hereby agrees to indemnify the Agent and each Bank for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 4.5) paid by the Agent or such Bank and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Payments due under this indemnification shall be made within 30 days of the date the Agent or such Bank makes demand therefor pursuant to Section 4.6.

(d) Each Bank that is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Bank ") agrees that it will, not more than ten Business Days after the date hereof, or, if later, not more than ten Business Days after becoming a Bank hereunder, (i) deliver to each of the Company and the Agent two (2) duly completed copies of

United States Internal Revenue Service Form W8BEN or W8ECI, certifying in either case that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, and (ii) deliver to each of the Company and the Agent a United States Internal Revenue Form W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax. Each Non-U.S. Bank further undertakes to deliver to each of the Company and the Agent (x) renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (y) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the Company or the Agent. All forms or amendments described in the preceding sentence shall certify that such Bank is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Bank from duly completing and delivering any such form or amendment with respect to it and such Bank advises the Company and the Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(e) For any period during which a Non-U.S. Bank has failed to provide the Company with an appropriate form pursuant to clause (d), above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form originally was required to be provided), such Non-U.S. Bank shall not be entitled to indemnification under this Section 4.5 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Bank which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form required under clause (d) above, the Company shall take such steps as such Non-U.S. Bank shall reasonably request to assist such Non-U.S. Bank to recover such Taxes.

(f) Any Bank that is entitled to an exemption from or reduction of withholding tax with respect to payments under this Agreement or any Bond pursuant to the law of any relevant jurisdiction or any treaty shall deliver to the Company (with a copy to the Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate.

(g) If the U.S. Internal Revenue Service or any other governmental authority of the United States or any other country or any political subdivision thereof asserts a claim that the Agent did not properly withhold tax from amounts paid to or for the account of any Bank (because the appropriate form was not delivered or properly completed, because such Bank failed to notify the Agent of a change in circumstances which rendered its exemption from withholding ineffective, or for any other reason), such Bank shall indemnify the Agent fully for all amounts paid, directly or indirectly, by the Agent as tax, withholding therefor, or otherwise, including penalties and interest, and including taxes imposed by any jurisdiction on amounts payable to the Agent under this subsection, together with all costs and expenses related thereto (including attorneys fees and time charges of attorneys for the Agent, which attorneys may be

employees of the Agent). The obligations of the Banks under this Section 4.5(g) shall survive the payment of the Obligations and termination of this Agreement.

4.6 Bank Certificates; Survival of Indemnity. To the extent reasonably possible, each Bank shall designate an alternate Lending Installation with respect to Eurodollar Rate Loans to reduce any liability of the Company to such Bank under Section 4.1 or to avoid the unavailability of Eurodollar Rate Loan under Section 4.3, so long as such designation is not disadvantageous to such Bank. A certificate of such Bank as to the amount due under Section 4.1, 4.4 or 4.5 shall be final, conclusive and binding on the Company in the absence of manifest error. Determination of amounts payable under such Sections in connection with a Eurodollar Rate Loan shall be calculated as though each Bank funded each Eurodollar Rate Loan through the purchase of a deposit of the type and maturity corresponding to the deposit used as a reference in determining the Base Eurodollar Rate applicable to such Eurodollar Rate Loan whether in fact that is the case or not. Unless otherwise provided herein, the amount specified in any certificate shall be payable on demand after receipt by the Company of such certificate. The obligations of the Company under Sections 4.1, 4.4 and 4.5 shall survive payment of the Obligations and termination of this Agreement, provided, that no Bank shall be entitled to compensation to the extent that such compensation relates to any period of time more than 90 days after the termination of this Agreement.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

The Company hereby represents and warrants that:

5.1 Incorporation and Good Standing. The Company is duly incorporated, validly existing and in good standing under the laws of the State of Michigan.

5.2 Corporate Power and Authority; No Conflicts. The execution, delivery and performance by the Company of the Loan Documents are within the Company's corporate powers, have been duly authorized by all necessary corporate action and do not (i) violate the Company's charter, bylaws or any applicable law, or (ii) breach or result in an event of default under any indenture or material agreement, and do not result in or require the creation of any Lien upon or with respect to any of its properties (except the lien of the Indenture securing the Bonds).

5.3 Governmental Approvals. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Company of any Loan Document, except for the authorization to issue, sell or guarantee secured and/or unsecured long-term debt granted by the Federal Energy Regulatory Commission, which authorization has been obtained and is in full force and effect.

5.4 Legally Enforceable Agreements. Each Loan Document constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, subject to (a) the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws

affecting the enforcement of creditors' rights generally and (b) the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

5.5 Financial Statements. The audited balance sheet of the Company and its Consolidated Subsidiaries as at December 31, 2001, and the related statements of income and cash flows of the Company and its Consolidated Subsidiaries for the fiscal year then ended, as set forth in the Company's Annual Report on Form 10-K/A (copies of which have been furnished to each Bank), and the unaudited balance sheets of the Company and its Consolidated Subsidiaries as at September 30, 2002, and the related statements of income and cash flows of the Company and its Consolidated Subsidiaries for the nine-month period then ended (copies of which have been furnished to each Bank), fairly present the financial condition of the Company and its Consolidated Subsidiaries as at such dates and the results of operations of the Company and its Consolidated Subsidiaries for the periods ended on such dates, all in accordance with GAAP, and since December 31, 2001, there has been no Material Adverse Change (except to the extent described in the Company's Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2002 as filed with the SEC, copies of which have been furnished to each Bank).

5.6 Litigation. Except (i) to the extent described in the Company's Annual Report on Form 10-K/A for the year ended December 31, 2001 and Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2002 as filed with the SEC, copies of which have been furnished to each Bank, and (ii) such other similar actions, suits and proceedings predicated on the occurrence of the same events giving rise to any actions, suits and proceedings described in the Reports filed with the SEC set forth in clause (i) hereof, there is no pending or threatened action or proceeding against the Company or any of its Consolidated Subsidiaries before any court, governmental agency or arbitrator, which, if adversely determined, might reasonably be expected to materially adversely affect the financial condition, results of operations, business, Property or prospects of the Company and its Consolidated Subsidiaries, taken as a whole, or that would materially adversely affect the Company's ability to perform its obligations under any Loan Document. As of the Effective Date, there is no litigation challenging the validity or the enforceability of any of the Loan Documents.

5.7 Margin Stock. The Company is not engaged in the business of extending credit for the purpose of buying or carrying margin stock (within the meaning of Regulation U), and no proceeds of any Term Loan will be used to buy or carry any margin stock or to extend credit to others for the purpose of buying or carrying any margin stock.

5.8 ERISA. No Termination Event has occurred or is reasonably expected to occur with respect to any Plan. Neither the Company nor any of its ERISA Affiliates is an employer under a Multiemployer Plan.

5.9 Insurance. All insurance required by Section 6.2 is in full force and effect.

5.10 Taxes. The Company and its Subsidiaries have filed all tax returns (Federal, state and local) required to be filed and paid all taxes shown thereon to be due, including interest and penalties, or, to the extent the Company or any of its Subsidiaries is contesting in good faith an assertion of liability based on such returns, has provided adequate reserves for payment thereof in accordance with GAAP.

5.11 Investment Company Act. The Company is not an investment company (within the meaning of the Investment Company Act of 1940, as amended).

5.12 Public Utility Holding Company Act. The Company is exempt from the registration requirements of the Public Utility Holding Company Act of 1935, as amended, 15 USC 79, et seq.

5.13 Bonds. The issuance to the Agent of Bonds as evidence of the Obligations (i) will not violate any provision of the Indenture or any other agreement or instrument, or any law or regulation, or judicial or regulatory order, judgment or decree, to which the Company or any of its Subsidiaries is a party or by which any of the foregoing is bound and (ii) will provide the Banks, as beneficial holders of the Bonds through the Agent, the benefit of the Lien of the Indenture equally and ratably with the holders of other First Mortgage Bonds.

ARTICLE VI
AFFIRMATIVE COVENANTS

So long as any Obligations shall remain unpaid, the Company shall:

6.1 Payment of Taxes, Etc. Pay and discharge before the same shall become delinquent, (a) all taxes, assessments and governmental charges or levies imposed upon it or upon its property, and (b) all lawful claims which, if unpaid, might by law become a Lien upon its property, provided that the Company shall not be required to pay or discharge any such tax, assessment, charge or claim (i) which is being contested by it in good faith and by proper procedures or (ii) the non-payment of which will not materially adversely affect the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole.

6.2 Maintenance of Insurance. Maintain insurance in such amounts and covering such risks with respect to its business and properties as is usually carried by companies engaged in similar businesses and owning similar properties, either with reputable insurance companies or, in whole or in part, by establishing reserves or one or more insurance funds, either alone or with other corporations or associations.

6.3 Preservation of Corporate Existence, Etc. Preserve and maintain its corporate existence, rights and franchises, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary in view of its business and operations or the ownership of its properties, provided that the Company shall not be required to preserve any such right or franchise or to remain so qualified unless the failure to do so would have a material adverse effect on the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, or the ability of the Company to enter into, or to perform its obligations under, any Loan Document.

6.4 Compliance with Laws, Etc. Comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, the non-compliance with which would materially adversely affect the financial condition or results of operations of the

Company and its Consolidated Subsidiaries, taken as a whole, or the ability of the Company to perform its obligations under any Loan Document.

6.5 Visitation Rights. Subject to any necessary approval from the Nuclear Regulatory Commission, at any reasonable time and from time to time, permit the Agent, any of the Banks or any agents or representatives thereof to examine and make copies of and abstracts from its records and books of account, visit its properties and discuss its affairs, finances and accounts with any of its officers,

6.6 Keeping of Books. Keep, and cause each Consolidated Subsidiary to keep, adequate records and books of account, in which full and correct entries shall be made of all of its financial transactions and its assets and business so as to permit the Company and its Consolidated Subsidiaries to present financial statements in accordance with GAAP.

6.7 Reporting Requirements. Furnish to the Agent, with sufficient copies for each of the Banks:

(a) as soon as practicable and in any event within five Business Days after becoming aware of the occurrence of any Default or Event of Default, a statement of a Designated Officer as to the nature thereof, and as soon as practicable and in any event within five Business Days thereafter, a statement of a Designated Officer as to the action which the Company has taken, is taking or proposes to take with respect thereto;

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Company, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as at the end of such quarter, and the related consolidated statements of income, cash flows and common stockholder's equity of the Company and its Consolidated Subsidiaries as at the end of and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding date or period of the preceding fiscal year, or statements providing substantially similar information (which requirement shall be deemed satisfied by the delivery of the Company's quarterly report on Form 10-Q for such quarter), all in reasonable detail and duly certified (subject to the absence of footnotes and to year-end audit adjustments) by a Designated Officer as having been prepared in accordance with GAAP, together with (i) a certificate of a Designated Officer (which certificate shall also accompany the financial statements delivered pursuant to clause (c) below) stating that such officer has no knowledge (having made due inquiry with respect thereto) that a Default or Event of Default has occurred and is continuing, or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the actions which the Company has taken, is taking or proposes to take with respect thereto, and (ii) a certificate of a Designated Officer, in substantially the form of Exhibit C hereto, setting forth the Company's computation of the financial ratios specified in Sections 8.1 and 8.2 as of the end of the immediately preceding fiscal quarter or year, as the case may be, of the Company;

(c) as soon as available and in any event within 120 days after the end of each fiscal year of the Company, a copy of the Annual Report on Form 10-K (or any successor form) for the Company for such year, including therein the consolidated balance sheet of the Company and its

Consolidated Subsidiaries as at the end of such year and the consolidated statements of income, cash flows and common stockholder's equity of the Company and its Consolidated Subsidiaries as at the end of and for such year, or statements providing substantially similar information, in each case certified by independent public accountants of recognized national standing selected by the Company (and not objected to by the Majority Banks), together with a certificate of such accounting firm addressed to the Banks stating that, in the course of its examination of the consolidated financial statements of the Company and its Consolidated Subsidiaries, which examination was conducted by such accounting firm in accordance with GAAP, (1) such accounting firm has obtained no knowledge that an Event of Default, insofar as such Event of Default related to accounting or financial matters, has occurred and is continuing, or if, in the opinion of such accounting firm, such an Event of Default has occurred and is continuing, a statement as to the nature thereof, and (2) such accounting firm has examined a certificate prepared by the Company setting forth the computations made by the Company in determining, as of the end of such fiscal year, the ratios specified in Sections 8.1 and 8.2 which certificate shall be attached to the certificate of such accounting firm, and such accounting firm confirms that such computations accurately reflect such ratio;

(d) promptly after the sending or filing thereof, copies of all proxy statements which the Company sends to its stockholders, copies of all regular, periodic and special reports (other than those which relate solely to employee benefit plans) which the Company files with the SEC and notice of the sending or filing of (and, upon the request of the Agent or any Bank, a copy of) any final prospectus filed with the SEC;

(e) as soon as possible and in any event (i) within 30 days after the Company or any of its ERISA Affiliates knows or has reason to know that any Termination Event described in clause (a) of the definition of Termination Event with respect to any Plan has occurred and (ii) within ten days after the Company or any of its ERISA Affiliates knows or has reason to know that any other Termination Event with respect to any Plan has occurred, a statement of the Chief Financial Officer of the Company describing such Termination Event and the action, if any, which the Company or such ERISA Affiliate, as the case may be, proposes to take with respect thereto;

(f) promptly upon becoming aware thereof, notice of any upgrading or downgrading of the rating of the Senior Debt by Fitch, Moody's or S&P;

(g) as soon as possible and in any event within five (5) days after the occurrence of any material default under any material agreement to which the Company or any of its Subsidiaries is a party, which default would materially adversely affect the financial condition, business, results of operations, Property or prospects of the Company and its Subsidiaries, considered as a whole, any of which is continuing on the date of such certificate, a certificate of the president or chief financial officer of the Company setting forth the details of such material default and the action which the Company or any such Subsidiary proposes to take with respect thereto; and

(h) such other information respecting the business, properties or financial condition of the Company as the Agent or any Bank through the Agent may from time to time reasonably request.

6.8 Use of Proceeds. The Company will use the proceeds of the Term Loans for working capital and other general corporate purposes. The Company will not, nor will it permit any Subsidiary to, use any of the proceeds of the Term Loans to purchase or carry any "margin stock" (as defined in Regulation U).

6.9 Maintenance of Properties, Etc. The Company shall, and shall cause each of its Subsidiaries to, maintain in all material respects all of its respective owned and leased Property in good and safe condition and repair to the same degree as other companies engaged in similar businesses and owning similar properties, and not permit, commit or suffer any waste or abandonment of any such Property, and from time to time shall make or cause to be made all material repairs, renewals and replacements thereof, including, without limitation, any capital improvements which may be required; provided, however, that such Property may be altered or renovated in the ordinary course of Company's or its Subsidiaries' business; and provided, further, that the foregoing shall not restrict the sale of any asset of the Company or any Subsidiary to the extent not prohibited by Section 7.2.

6.10 Bonds. Beginning on the Effective Date and continuing until all Obligations have been paid in full, cause the aggregate amount of the Bonds outstanding to at all times be equal to or greater than the aggregate outstanding Term Loans.

6.11 Recordation of Supplemental Indenture. The Company shall (i) within ten days after the Effective Date, deliver the Supplemental Indenture in recordable form to the appropriate recording office in all applicable jurisdictions for recording in the real estate records and deliver to the office of the Secretary of State of Michigan a UCC-1 financing statement with the Supplemental Indenture as an attachment thereto for filing in such office and (ii) within 25 days after the Effective Date, deliver to the Agent a certificate signed by a Designated Officer certifying that the actions required by the foregoing clause (i) have been taken.

ARTICLE VII
NEGATIVE COVENANTS

So long as any Obligations shall remain unpaid, the Company shall not:

7.1 Liens. Create, incur, assume or suffer to exist any Lien upon or with respect to any of its properties, now owned or hereafter acquired, except:

(a) Liens created pursuant to the Indenture securing the First Mortgage Bonds;

(b) Liens securing pollution control bonds, or bonds issued to refund or refinance pollution control bonds (including Liens securing obligations (contingent or otherwise) of the Company under letter of credit agreements or other reimbursement or similar credit enhancement agreements with respect to pollution control bonds), provided that the aggregate face amount of any such bonds so issued shall not exceed the aggregate face amount of such pollution control bonds, as the case may be, so refunded or refinanced;

(c) Liens in (and only in) assets acquired to secure Debt incurred to finance the acquisition of such assets;

(d) Statutory and common law banker's Liens on bank deposits;

(e) Liens in respect of accounts receivable sold, transferred or assigned by the Company;

(f) Liens for taxes, assessments or other governmental charges or levies not at the time delinquent or thereafter payable without penalty or being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with GAAP shall have been set aside on its books;

(g) Liens of carriers, warehousemen, mechanics, materialmen and landlords incurred in the ordinary course of business for sums not overdue or being contested in good faith by appropriate proceedings and for which adequate reserves shall have been set aside on its books;

(h) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance or other forms of governmental insurance or benefits, or to secure performance of tenders, statutory obligations, leases and contracts (other than for borrowed money) entered into in the ordinary course of business or to secure obligations on surety or appeal bonds;

(i) Judgment Liens in existence less than 30 days after the entry thereof or with respect to which execution has been stayed or the payment of which is covered (subject to a customary deductible) by insurance;

(j) Zoning restrictions, easements, licenses, covenants, reservations, utility company rights, restrictions on the use of real property or minor irregularities of title incident thereto which do not in the aggregate materially detract from the value of the property or assets of the Company or materially impair the operation of its business;

(k) Liens arising in connection with the financing of the Company's fuel resources, including, but not limited to, nuclear fuel;

(l) Liens arising pursuant to MCL 324.20138; provided that the aggregate amount of all obligations secured by such Liens (excluding any such Liens of which the Company has no knowledge or which are permitted by subsection (f) above) shall not exceed $20,000,000;

(m) Liens arising in connection with the Securitized Bonds;

(n) Liens on the Facility LC Collateral Account (as defined in the Credit Agreement) or any funds therein in favor of the agent under the Credit Agreement;

(o) Liens on natural gas, oil and minerals, or on stock in trade, materials or supplies manufactured or acquired for the purpose of sale and/or resale in the usual course of business or consumable in the operation of any of the properties of the Company; provided that (i) such liens secure obligations not exceeding $500,000,000 in aggregate principal amount and (ii) such liens shall also be permitted under the terms of the Credit Agreement; and

(p) Other Liens securing obligations in an aggregate amount not in excess of $150,000,000.

7.2 Sale of Assets. Sell, lease, assign, transfer or otherwise dispose of 15% or more of its assets, calculated with reference to total assets as reflected on the Company's consolidated balance sheet as at September 30, 2002.

7.3 Mergers, Etc. Merge with or into or consolidate with or into any other Person, except that the Company may merge with any other Person, provided that, in each case, immediately after giving effect thereto, (a) no event shall occur and be continuing which constitutes a Default or Event of Default, (b) the Company is the surviving corporation, (c) the Company shall not be liable with respect to any Debt or allow its property to be subject to any Lien which it could not become liable with respect to or allow its property to become subject to under this Agreement on the date of such transaction and (d) the Company's Net Worth shall be equal to or greater than its Net Worth immediately prior to such merger.

7.4 Compliance with ERISA. Permit to exist any occurrence of any Reportable Event, or any other event or condition which presents a material (in the reasonable opinion of the Majority Banks) risk of a termination by the PBGC of any Plan of the Company or any ERISA Affiliate, which termination will result in any material (in the reasonable opinion of the Majority Banks) liability of the Company or such ERISA Affiliate to the PBGC.

7.5 Change in Nature of Business. Make any material change in the nature of its business as carried on as of the date hereof.

7.6 Restricted Payments. The Company: (a) will not declare or pay any dividends or make any other distributions on its capital stock (other than dividends payable solely in such capital stock) or redeem any such capital stock; and (b) will not, and will not permit any Subsidiary to, purchase or otherwise acquire or retire any of the Company's capital stock or make any loans or advances to CMS or any Subsidiary thereof (other than the Company or any Subsidiary thereof); provided that, so long as no Default or Event of Default exists, the Company may pay dividends in an aggregate amount not to exceed $300,000,000 during any calendar year.

7.7 Off-Balance Sheet Liabilities. Create, incur, assume or suffer to exist, or permit any Subsidiary to create, incur, assume or suffer to exist, Off-Balance Sheet Liabilities (exclusive of obligations pursuant to the Receivables Sale Agreement and the Building Lease) in the aggregate in excess of $250,000,000 at any time.

ARTICLE VIII
FINANCIAL COVENANTS

So long as any Obligations shall remain unpaid, the Company shall:

8.1 Debt to Capital Ratio. At all times, maintain a ratio of Total Consolidated Debt to Total Consolidated Capitalization of not greater than 0.65 to 1.0.

8.2 Interest Coverage Ratio. Not permit the ratio, determined as of the end of each of its fiscal quarters for the then most-recently ended four fiscal quarters, of (i) Consolidated EBIT to (ii) Consolidated Interest Expense to be less than 2.0 to 1.0.

ARTICLE IX
EVENTS OF DEFAULT

9.1 Events of Default. The occurrence of any of the following events shall constitute an "Event of Default":

(a) The Company shall fail to pay (i) any principal of any Term Loan when due and payable, or (ii) any interest on any Term Loan or any fee or other Obligation payable hereunder within five (5) days after such interest or fee or other Obligation becomes due and payable;

(b) Any representation or warranty made by the Company (or any of its officers) in this Agreement or any other Loan Document or in any certificate, document, report, financial or other written statement furnished at any time pursuant to any Loan Document shall prove to have been incorrect in any material respect on or as of the date made;

(c) The Company shall fail to perform or observe any term, covenant or agreement contained in Section 6.10, Section 6.11(i), Article VII or Article VIII: or the Company shall fail to perform or observe any other term, covenant or agreement on its part to be performed or observed in this Agreement or in any other Loan Document and such failure shall continue for 30 consecutive days after notice thereof by means of facsimile, regular mail or written notice delivered in person (or telephonic notice thereof confirmed in writing) shall have been given to the Company by the Agent or the Majority Banks;

(d) The Company shall: (i) fail to pay any Debt (other than the payment obligations described in subsection (a) above) in excess of $25,000,000, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the instrument or agreement relating to such Debt; or (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any such Debt, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate, or to permit the acceleration of, the maturity of such Debt, unless the obligee under or holder of such Debt shall have waived in writing such circumstance, or such circumstance has been cured, so that such circumstance is no longer continuing; or (iii) any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), in each case in accordance with the terms of such agreement or instrument, prior to the stated maturity thereof; or (iv) generally not, or shall admit in writing its inability to, pay its debts as such debts become due;

(e) The Company: (i) shall make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets, or (ii) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or (iii) shall have had any such petition or

application filed or any such proceeding shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding remains undismissed for a period of 30 consecutive days or more; or (iv) by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (v) shall suffer any such custodianship, receivership or trusteeship to continue undischarged for a period of 30 days or more; or (vi) shall take any corporate action to authorize any of the actions set forth above in this subsection (e);

(f) One or more judgments, decrees or orders for the payment of money in excess of $25,000,000 in the aggregate shall be rendered against the Company and either (i) enforcement proceedings shall have been commenced by any creditor upon any such judgment or order or (ii) there shall be any period of more than 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(g) Any Termination Event with respect to a Plan shall have occurred, and 30 days after notice thereof shall have been given to the Company by the Agent, (i) such Termination Event (if correctable) shall not have been corrected and (ii) the then present value of such Plan's vested benefits exceeds the then current value of the assets accumulated in such Plan by more than the amount of $25,000,000 (or in the case of a Termination Event involving the withdrawal of a "substantial employer" (as defined in Section 4001(A)(2) of ERISA), the withdrawing employer's proportionate share of such excess shall exceed such amount); or

(h) Any Bond shall cease to be in full force and effect (except for Bonds surrendered by the Agent pursuant to Section 2.4 or 2.5); or the Company shall deny that it has any liability or obligation under any Bond or purport to revoke, terminate, rescind or redeem any Bond (other than in accordance with the terms of the Bonds and the Indenture).

9.2 Remedies.

If any Event of Default shall occur and be continuing, the Agent shall upon the request, or may with the consent, of the Majority Banks, by notice to the Company, declare the Obligations to be forthwith due and payable, whereupon the Obligations shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company, provided that in the case of an Event of Default referred to in Section 9.1(e) above, the Obligations shall automatically become due and payable without notice, presentment, demand, protest or other formalities of any kind, all of which are hereby expressly waived by the Company.

ARTICLE X
WAIVERS, AMENDMENTS AND REMEDIES

10.1 Amendments. Subject to the provisions of this Article X, the Majority Banks (or the Agent with the consent in writing of the Majority Banks) and the Company may enter into written agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Banks or the Company hereunder or waiving any Event of Default hereunder, provided that (except as provided in the

proviso immediately below) no such supplemental agreement shall without the consent of all of the Banks:

(1) extend the maturity of any Term Loan or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest or fees thereon;

(2) modify the percentage specified in the definition of Majority Banks;

(3) permit the Company to assign its rights under this Agreement; or

(4) amend Section 6.10, Section 12.12 or this Section 10.1.

Provided, notwithstanding anything in this Section 10.1 or this Agreement to the contrary (except the ultimate proviso of this paragraph), the Majority Banks may consent to amend this Agreement to provide for the making of additional term loans hereunder which additional term loans may have such terms and conditions as are agreed by the Majority Banks, the Agent and the Company; without limiting the foregoing, financial institutions which are not Banks as of the date hereof may be added as Banks hereunder in connection with any such additional term loans; provided, however, no such amendment or any supplemental agreement to this Agreement shall increase the amount of the respective Term Loan Commitment of any Bank hereunder without the consent of such affected Bank and no such additional term loan shall be made unless the Company issues additional First Mortgage Bonds in favor of the Agent in an amount at least equal to the aggregate amount of such additional term loans.

The Agent, as holder of the Bonds, shall not consent to or vote in favor of a release of all or substantially all of the property subject to the lien of the Indenture without the consent of all of the Banks. No amendment of any provision of this Agreement relating to the Agent shall be effective without the written consent of the Agent.

10.2 Preservation of Rights. No delay or omission of the Banks or the Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or Event of Default or an acquiescence therein, and the making of a Term Loan notwithstanding the existence of a Default or Event of Default or the inability of the Company to satisfy the conditions precedent to such Term Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Banks required pursuant to Section 10.1, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Agent and the Banks until the Obligations have been paid in full.

ARTICLE XI
CONDITIONS PRECEDENT

11.1 Delivery of Documents. This Agreement shall not become effective and the Banks shall not be required to make the Term Loans hereunder on the Effective Date unless the Company has furnished to the Agent with sufficient copies for the Banks:

(a) A certificate, signed by a Designated Officer of the Company, stating that on the Effective Date no Default or Event of Default has occurred and is continuing.

(b) Evidence satisfactory to the Agent of the issuance of the Bonds in the form set forth in the Supplemental Indenture and in an aggregate principal amount of $150,000,000 pursuant to the Bond Delivery Agreement.

(c) Favorable opinions of:

(i) Michael D. VanHemert, Esq., Deputy General Counsel of CMS, as to the matters set forth in Exhibit B-1 and as to such other matters as the Agent may reasonably request;

(ii) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Company, as to the matters set forth in Exhibit B-2 and as to such other matters as the Agent may reasonably request; and

(iii) Miller, Canfield, Paddock and Stone, P.L.C., special counsel to the Company, as to the matters set forth in Exhibit B-3 and as to such other matters as the Agent may reasonably request.

Such opinions shall be addressed to the Agent and the Banks and shall be satisfactory in form and substance to the Agent.

(d) Evidence, in form and substance satisfactory to the Agent, that the Company has obtained all governmental approvals, if any, necessary for it to enter into the Loan Documents.

(e) Evidence, in form and substance satisfactory to the Agent, that the scheduled termination and maturity date of the Credit Agreement is a date occurring on or after the Maturity Date, including extensions thereunder.

(f) Such other documents as the Agent or any Bank may reasonably request.

11.2 Payment of Fees. It shall be a further condition precedent to the making of the Term Loans on the Effective Date that the Company shall have paid to the Agent for the account of the Banks the fees required to be paid on the Effective Date pursuant to the Fee Letter.

11.3 No Default, Etc. No Bank shall be required to make any Term Loan on the Effective Date unless (i) no Default or Event of Default then exists, (ii) the representations and warranties contained in Article V are true and correct as of the Effective Date and (iii) all legal matters incident to the making of such Term Loan are satisfactory to such Bank and its counsel. The Company represents and warrants that the conditions contained in subsections (i) and (ii) above will be satisfied on the Effective Date.

ARTICLE XII
GENERAL PROVISIONS

12.1 Successors and Assigns. (a) The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Company and the Banks and their respective successors and assigns, except that the Company shall not have the right to assign its rights under the Loan Documents. Any Bank may sell participations in all or a portion of its rights and obligations under this Agreement pursuant to subsection (b) below and any Bank may assign all or any part of its rights and obligations under this Agreement pursuant to subsection (c) below.

(b) Any Bank may sell participations to one or more banks or other entities (each a "Participant") in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Term Loan Commitment and its outstanding Term Loan), provided that (i) such Bank's obligations under this Agreement (including, without limitation, its Term Loan Commitment to the Company hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of the Term Loans of such Bank for all purposes of this Agreement and (iv) the Company shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Each Bank shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Term Loan or Term Loan Commitment in which such Participant has an interest which would require consent of all of the Banks pursuant to the terms of Section 10.1 or of any other Loan Document. The Company agrees that each Participant shall be deemed to have the right of setoff provided in Section 12.11 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Bank under the Loan Documents, provided that each Bank shall retain the right of setoff provided in Section 12.11 with respect to the amount of participating interests sold to each Participant. The Banks agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 12.11, agrees to share with each Bank, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 12.11 as if each Participant were a Bank. The Company further agrees that each Participant shall be entitled to the benefits of Sections 4.1, 4.3, 4.4 and 4.5 to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to Section 12.1(c); provided that (i) a Participant shall not be entitled to receive any greater payment under Section.4.1, 4.3, 4.4 or 4.5 than the Bank who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Company, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 4.5 to the same extent as if it were a Bank.

(c) Any Bank may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more financial institutions all or any part of its rights and obligations under this Agreement, provided that the minimum principal amount of any such assignment (other than assignments to a Federal Reserve Bank, or to any other Bank or affiliate or Approved Fund of a Bank, or to any direct or indirect contractual counterparties in swap

agreements relating to the Term Loans to the extent required in connection with the physical settlement of any Bank's obligations pursuant thereto) shall be $1,000,000 (or such lesser amount consented to by the Agent); provided that, unless such Bank is assigning all of its rights and obligations hereunder, after giving effect to such assignment the assigning Bank shall have Term Loans in the aggregate of not less than $1,000,000 (unless otherwise consented to by the Agent).

(d) Any Bank may, in connection with any sale or participation or proposed sale or participation pursuant to this Section 12.1 disclose to the purchaser or participant or proposed purchaser or participant any information relating to the Company furnished to such Bank by or on behalf of the Company, provided that prior to any such disclosure of non-public information, the purchaser or participant or proposed purchaser or participant (which purchaser or participant is not an affiliate of a Bank) shall agree to preserve the confidentiality of any confidential information (except any such disclosure as may be required by law or regulatory process) relating to the Company received by it from such Bank.

(e) Assignments under this Section 12.1 shall be made pursuant to an agreement (an "Assignment Agreement") substantially in the form of Exhibit D hereto or in such other form as may be agreed to by the parties thereto and shall not be effective until a $3,500 fee has been paid to the Agent by the assignee, which fee shall cover the cost of processing such assignment, provided, that such fee shall not be incurred in the event of an assignment by any Bank of all or a portion of its rights under this Agreement to (i) a Federal Reserve Bank or (ii) a Bank or an affiliate or Approved Fund of the assigning Bank or (iii) to any direct or indirect contractual counterparties in swap agreements relating to the Term Loans to the extent required in connection with the physical settlement of any Bank's obligations pursuant thereto.

(f) Notwithstanding anything to the contrary contained herein, any Bank (a "Granting Bank") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Bank to the Agent and the Company, the option to provide to the Company all or any part of any Term Loan that such Granting Bank is obligated to make to the Company pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Term Loan, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Term Loan, the Granting Bank shall remain obligated to make such Term Loan pursuant to the terms hereof, (iii) the Company shall not be required to pay any amount under Section 4.5 that is greater than the amount which it would have been required to pay had there been no grant to an SPC and (iv) any SPC (or assignee of an SPC) will comply, if applicable, with the provisions contained in Section 4.5. No grant by any Granting Bank to an SPC agreeing to provide a Term Loan or the making of such Term Loan by such SPC shall operate to relieve such Granting Bank of its liabilities and obligations hereunder, except to the extent of the making of such Term Loan by such SPC. The making of a Term Loan by an SPC hereunder shall utilize the Term Loan Commitment of the Granting Bank to the same extent, and as if, such Term Loan were made by such Granting Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Bank). In addition, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that any SPC may (i) with notice to, but without the prior written consent of, the Company and the Agent and without paying any processing fee therefor, assign all or a portion

of its interests in any Term Loans to the Granting Bank or to any financial institutions (consented to by the Agent in its sole discretion) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Term Loans and (ii) disclose on a confidential basis any non-public information relating to its Term Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 12.1(f) may not be amended without the written consent of any SPC that holds an option to provide Term Loans. No recourse under any obligation, covenant, or agreement of the SPC contained in this Agreement shall be had against any shareholder, officer, agent or director of the SPC as such, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is a corporate obligation of the SPC and no personal liability shall attach to or be incurred by any officer, agent or member of the SPC as such, or any of them under or by reason of any of the obligations, covenants or agreements of the SPC contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by the SPC of any such obligations, covenants or agreements, either at law or by statute or constitution, of every such shareholder, officer, agent or director is hereby expressly waived by all parties to this Agreement as a condition of and consideration for the SPC entering into this Agreement; provided, however, that the foregoing shall not relieve any such person or entity of any liability they might otherwise have as a result of fraudulent actions or omissions taken by them. All parties to this Agreement acknowledge and agree that the SPC shall only be liable for any claims that each of them may have against the SPC only to the extent of the SPC's assets. The provisions of this clause shall survive the termination of this Agreement.

(g) Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Bank from any of its obligations hereunder or substitute any such pledgee or assignee for such Bank as a party hereto.

12.2 Survival of Representations. All representations and warranties of the Company contained in this Agreement shall survive the making of the Term Loans herein contemplated.

12.3 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Bank shall be obligated to extend credit to the Company in violation of any limitation or prohibition provided by any applicable statute or regulation.

12.4 Taxes. Any taxes (excluding income taxes) payable or ruled payable by any Federal or State authority in respect of the execution of the Loan Documents shall be paid by the Company, together with interest and penalties, if any.

12.5 Choice of Law; Waiver of Jury Trial. THE LOAN DOCUMENTS SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF NEW YORK, BUT OTHERWISE WITHOUT REGARD TO THE LAW OF CONFLICTS) OF THE STATE OF NEW YORK, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO NATIONAL BANKS. THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY

UNITED STATES FEDERAL OR NEW YORK STATE COURT SITTING IN NEW YORK, NEW YORK IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT AND THE COMPANY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT. THE COMPANY HEREBY WAIVES ANY RIGHT TO A JURY TRIAL IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING HEREUNDER OR UNDER ANY LOAN DOCUMENT.

12.6 Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

12.7 Entire Agreement. The Loan Documents embody the entire agreement and understanding between the Company, the Agent and the Banks and supersede all prior agreements and understandings between the Company, the Agent and the Banks relating to the subject matter thereof (other than those contained in the fee letter described in Section 13.12 which shall survive and remain in full force and effect during the term of this Agreement).

12.8 Expenses; Indemnification. The Company shall (a) reimburse the Agent and the Arranger for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Agent) paid or incurred by the Agent or the Arranger in connection with the preparation, review, execution, delivery, syndication, distribution (including, without limitation, via the internet), amendment and modification of the Loan Documents and (b) reimburse the Agent, the Arranger and each Bank for any reasonable costs, internal charges and out-of-pocket expenses (including reasonable attorneys' fees and time charges of attorneys for the Agent or for such Bank) paid or incurred by the Agent, the Arranger or such Bank in connection with the collection and enforcement of the Loan Documents. The Company further agrees to indemnify the Agent, the Arranger, each Citigroup Party and each Bank and their respective directors, officers, employees, trustees, agents and advisors (collectively, the "Indemnitees") against all losses, claims, damages, penalties, judgments, liabilities and reasonable expenses (including, without limitation, all material expenses of litigation or preparation therefor whether or not the Agent, the Arranger, any Citigroup Party or any Bank is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement, the other Loan Documents, the transactions contemplated hereby or the direct or indirect application or proposed application of the proceeds of any Term Loan hereunder, provided that the Company shall not be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the respective Indemnitee. The obligations of the Company under this Section shall survive the termination of this Agreement.

12.9 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

12.10 Setoff. In addition to, and without limitation of, any rights of the Banks under applicable law, if the Company becomes insolvent, however evidenced, or any Default or Event of Default occurs, any indebtedness from any Bank to the Company (including all account balances, whether provisional or final and whether or not collected or available) may be offset and applied toward the payment of the Obligations owing to such Bank, whether or not the Obligations, or any part hereof, shall then be due. The Company agrees that any purchaser or participant under Section 12.1 may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such purchase or participation as if it were the direct creditor of the Company in the amount of such purchase or participation.

12.11 Ratable Payments. If any Bank, whether by setoff or otherwise, has payment made to it upon its outstanding Term Loans in a greater proportion than that received by any other Bank, such Bank agrees, promptly upon demand, to purchase a portion of the aggregate outstanding Term Loans held by the other Banks so that after such purchase each Bank will hold its Pro Rata Share of the aggregate outstanding Term Loans. If any Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Bank agrees, promptly upon demand, to take such action necessary such that all Banks share in the benefits of such collateral ratably in proportion to their respective Pro Rata Share of the aggregate outstanding Term Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

12.12 Nonliability of Banks. The relationship between the Company, on the one hand, and the Banks and the Agent, on the other hand, shall be solely that of borrower and lender Neither the Agent, the Arranger nor any Bank shall have any fiduciary responsibilities to the Company. Neither the Agent, the Arranger nor any Bank undertakes any responsibility to the Company to review or inform the Company of any matter in connection with any phase of the Company's business or operations. The Company shall rely entirely upon its own judgment with respect to its business, and any review, inspection, supervision or information supplied to the Company by the Banks is for the protection of the Banks and neither the Company nor any third party is entitled to rely thereon. The Company agrees that neither the Agent, the Arranger nor any Bank shall have liability to the Company (whether sounding in tort, contract or otherwise) for losses suffered by the Company in connection with, arising out of, or in any way related to, the transactions contemplated and the relationship established by the Loan Documents, or any act, omission or event occurring in connection therewith, unless it is determined in a final non-appealable judgment by a court of competent jurisdiction that such losses resulted from the gross negligence or willful misconduct of the party from which recovery is sought. Neither the Agent, the Arranger nor any Bank shall have any liability with respect to, and the Company hereby waives, releases and agrees not to sue for, any special, indirect, consequential or punitive damages suffered by the Company in connection with, arising out of, or in any way related to the Loan Documents or the transactions contemplated thereby.

12.13 Certain Disclosures. Notwithstanding any other provision of this Agreement, each party (and each Participant pursuant to Section 12.1) (and each employee, representative or other agent of such party (or Participant)) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions contemplated by the Loan Documents and all materials of any kind (including opinions or other tax analyses) that are

provided to such party relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

12.14 Limitation of Liability: Communications. WITH RESPECT TO COMMUNICATIONS DELIVERED PURSUANT TO SECTION 14.3 OF THIS AGREEMENT, SUCH COMMUNICATIONS AND THE PLATFORM ARE PROVIDED "AS IS" AND "AS AVAILABLE". THE CITIGROUP PARTIES DO NOT WARRANT THE ACCURACY, ADEQUACY OR COMPLETENESS OF THE COMMUNICATIONS OR THE PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS OR THE PLATFORM. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE CITIGROUP PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE PLATFORM. THE COMPANY HEREBY ACKNOWLEDGES THAT ALTHOUGH THE PRIMARY WEB PORTAL IS SECURED WITH A DUAL FIREWALL AND A USER IDENTIFICATION/PASSWORD AUTHORIZATION SYSTEM AND THE PLATFORM IS SECURED THROUGH A SINGLE USER PER DEAL AUTHORIZATION METHOD WHEREBY EACH USER MAY ACCESS THE PLATFORM ONLY ON A DEAL-BY-DEAL BASIS, THE DISTRIBUTION OF MATERIAL THROUGH AN ELECTRONIC MEDIUM IS NOT NECESSARILY SECURE AND THAT THERE ARE CONFIDENTIALITY AND OTHER RISKS ASSOCIATED WITH SUCH DISTRIBUTION. THE PROVISIONS OF THIS SECTION 12.13 SHALL SURVIVE THE MAKING OF ANY TERM LOAN, THE REPAYMENT THEREOF AND THE TERMINATION OF THIS AGREEMENT AND ANY LOAN DOCUMENT.

ARTICLE XIII
THE AGENT

13.1 Appointment. Citicorp North America, Inc. is hereby appointed Agent hereunder, and each of the Banks irrevocably authorizes the Agent to act as the contractual representative on behalf of such Bank. The Agent agrees to act as such upon the express conditions contained in this Article XIII. The Agent shall not have a fiduciary relationship in respect of any Bank by reason of this Agreement. The Agent hereby acknowledges and agrees that it shall hold the Bonds for the ratable benefit of the Banks.

13.2 Powers. The Agent shall have and may exercise such powers hereunder as are specifically delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. The Agent shall not have any implied duties to the Banks or any obligation to the Banks to take any action hereunder except any action specifically provided by this Agreement to be taken by the Agent.

13.3 General Immunity. Neither the Agent nor any of its directors, officers, agents or employees shall be liable to the Banks or any Bank for any action taken or omitted to be taken by it or them hereunder or in connection herewith except for its or their own gross negligence or willful misconduct.

13.4 No Responsibility for Loans, Recitals, Etc. The Agent shall not be responsible to the Banks for any recitals, reports, statements, warranties or representations herein or in any Loan Document or be bound to ascertain or inquire as to the performance or observance of any of the terms of this Agreement.

13.5 Action on Instructions of Banks. The Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Majority Banks (or all of the Banks if required by Section 10.1), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Banks. The Banks hereby acknowledge that the Agent shall be under no duty to take any discretionary action permitted to be taken by it pursuant to the provisions of this Agreement or any other Loan Document unless it shall be requested in writing to do so by the Majority Banks. The Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Banks pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

13.6 Employment of Agents and Counsel. The Agent may execute any of its duties as Agent hereunder by or through employees, agents and attorneys-in-fact and shall not be answerable to the Banks, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Agent shall be entitled to advice of counsel concerning all matters pertaining to the agency hereby created and its duties hereunder.

13.7 Reliance on Documents; Counsel. The Agent shall be entitled to rely upon any notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Agent, which counsel may be employees of the Agent.

13.8 Agent's Reimbursement and Indemnification. The Banks agree to reimburse and indemnify the Agent ratably in proportion to their respective Pro Rata Shares (i) for any amounts not reimbursed by the Company for which the Agent is entitled to reimbursement by the Company under the Loan Documents and (ii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any other document delivered in connection with this Agreement or the transactions contemplated hereby or the enforcement of any of the terms hereof or of any such other documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the Agent.

13.9 Rights as a Lender. With respect to its Term Loan Commitment, if any, and any Term Loan made by it, Citicorp shall have the same rights and powers hereunder as any Bank and may exercise the same as though it were not the Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include Citicorp in its individual capacity. Citicorp may accept deposits from, lend money to, and generally engage in any kind of banking or trust business with the Company or any Subsidiary as if it were not the Agent.

13.10 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the financial statements prepared by the Company and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

13.11 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Company, and the Agent may be removed at any time with or without cause by written notice received by the Agent from the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint, on behalf of the Banks, a successor Agent. If no successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within thirty days after the retiring Agent's giving notice of resignation, then the retiring Agent may appoint, on behalf of the Banks, a successor Agent. Such successor Agent shall be a commercial bank having capital and retained earnings of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article XIII shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent hereunder.

13.12 Agent and Arranger Fees. The Company agrees to pay to the Agent and the Arranger, for their respective accounts, the fees agreed to by the Company, the Agent and the Arranger pursuant to that certain letter agreement dated March [7], 2003, or as otherwise agreed from time to time.

ARTICLE XIV
NOTICES

14.1 Giving Notice. Except as otherwise permitted by Section 2.6 with respect to Conversion/Continuation Notices, all notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, facsimile transmission or similar writing) and shall be given to such party; (x) in the case of the Company or the Agent, at its address or facsimile number set forth on the signature pages hereof, except that Conversion/Continuation Notices shall be sent to the Agent at 2 Penn's Way, Suite 200, New Castle, DE 19720, Attention: Jason Trala, telephone 302-894-6086, fax 302-894-6120, or (y) in

the case of any Bank, at its address or facsimile number set forth in its Administrative Details Form provided to the Agent. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered (or, in the case of electronic transmission, received) at the address specified in this Section; provided that notices to the Agent under Article II shall not be effective until received.

14.2 Change of Address. The Company and the Agent may each change the address for service of notice upon it by a notice in writing to the other parties hereto in accordance with Section 14.1. Any Bank may change the address for service of notice upon it by a notice in writing to the Company and the Agent in accordance with Section 14.1.

14.3 Platform and Primary Web Portal. (a) The Borrower shall provide to the Agent all information, documents and other materials that it is obligated to furnish to the Agent pursuant to this Agreement and the other Loan Documents, including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a notice of borrowing or other extension of credit or a conversion of an existing interest rate on any Term Loan or borrowing (including, without limitation, any Conversion/Continuation Notice), (ii) relates to the payment of any principal or other amount due hereunder prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default hereunder or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any extension of credit hereunder (all such non-excluded communications being referred to herein collectively as "Communications"), by transmitting the Communications in an electronic/soft medium in a format acceptable to the Agent to [oploanswebadmin@citigroup.com]. In addition, the Company shall continue to provide the Communications to the Agent in the manner specified in this Agreement but only to the extent requested by the Agent. Each Bank and the Borrower further agree that the Agent may make the Communications available to the Banks by posting the Communications on "e-Disclosure" (the "Platform"), the Agent's internet delivery system that is part of SSB Direct, Global Fixed Income's primary web portal (the "Primary Web Portal").

(b) The Agent agrees that the receipt of the Communications by the Agent at its e-mail address set forth in clause (a) above shall constitute effective delivery of the Communications to the Agent for purposes of this Agreement and under the Loan Documents. Each Bank agrees that notice to it at its e-mail address provided in clause (a) above specifying that Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Bank under this Agreement and under the Loan Documents.

(c) Nothing in this Agreement or any other Loan Document shall prejudice the right of the Agent or any Bank to give any notice or other communication pursuant hereto or to any other Loan Document in any other manner specified herein or therein.

(e) The provisions of Section 14.3(a) and (b) shall terminate on the date that neither Citicorp North America, Inc. nor any of the Citigroup Parties is the Agent.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

ARTICLE XV
COUNTERPARTS

This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart. This Agreement shall be effective when it has been executed by the Company, the Agent and the Banks and each party has notified the Agent by facsimile or telephone that it has taken such action.

IN WITNESS WHEREOF, the Company, the Banks and the Agent have executed this Agreement as of the date first above written.

CONSUMERS ENERGY COMPANY

By:/s/ Laura L. Mountcastle

Name: Laura L. Mountcastle
Title: Vice President

212 West Michigan Avenue
Jackson, MI 49201
Attention: Kimberly C. Wilson
Facsimile No.: (517)788-0768
Confirmation Telephone No: (517)788-2194
E-Mail Address: KCWilson@cmsenergy.com

CITICORP NORTH AMERICA, INC., as
Agent and as a Bank

By:/s/ J. Nicholas McKee

Name: J. Nicholas McKee
Title: Managing Director

388 Greenwich Street
New York, NY 10023
Attention: Nick McKee
Facsimile No.: (212) 816-8098
Confirmation No: (212) 816-8592

Exhibit A

EIGHTY-NINTH SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR

FIRST MORTGAGE BONDS,

COLLATERAL SERIES DUE 2006

DATED AS OF MARCH 28, 2003

CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,

TRUSTEE

Counterpart _____ of 80

THIS EIGHTY-NINTH SUPPLEMENTAL INDENTURE, dated as of March 28, 2003 (herein sometimes referred to as "this Supplemental Indenture"), made and entered into by and between CONSUMERS ENERGY COMPANY, a corporation organized and existing under the laws of the State of Michigan, with its principal executive office and place of business at 212 West Michigan Avenue, in Jackson, Jackson County, Michigan 49201, formerly known as Consumers Power Company (hereinafter sometimes referred to as the "Company"), and JPMORGAN CHASE BANK, a corporation organized and existing under the laws of the State of New York, with its corporate trust offices at 4 New York Plaza, New York, New York 10004 (hereinafter sometimes referred to as the "Trustee"), as Trustee under the Indenture dated as of September 1, 1945 between Consumers Power Company, a Maine corporation (hereinafter sometimes referred to as the "Maine corporation"), and City Bank Farmers Trust Company (Citibank, N.A., successor, hereinafter sometimes referred to as the "Predecessor Trustee"), securing bonds issued and to be issued as provided therein (hereinafter sometimes referred to as the "Indenture"),

WHEREAS at the close of business on January 30, 1959, City Bank Farmers Trust Company was converted into a national banking association under the title "First National City Trust Company"; and

WHEREAS at the close of business on January 15, 1963, First National City Trust Company was merged into First National City Bank; and

WHEREAS at the close of business on October 31, 1968, First National City Bank was merged into The City Bank of New York, National Association, the name of which was thereupon changed to First National City Bank; and

WHEREAS effective March 1, 1976, the name of First National City Bank was changed to Citibank, N.A.; and

WHEREAS effective July 16, 1984, Manufacturers Hanover Trust Company succeeded Citibank, N.A. as Trustee under the Indenture; and

WHEREAS effective June 19, 1992, Chemical Bank succeeded by merger to Manufacturers Hanover Trust Company as Trustee under the Indenture; and

WHEREAS effective July 15, 1996, The Chase Manhattan Bank (National Association), merged with and into Chemical Bank which thereafter was renamed The Chase Manhattan Bank; and

WHEREAS effective November 11, 2001, The Chase Manhattan Bank merged with Morgan Guaranty Trust Company of New York and the surviving corporation was renamed JPMorgan Chase Bank; and

WHEREAS the Indenture was executed and delivered for the purpose of securing such bonds as may from time to time be issued under and in accordance with the terms of the Indenture, the aggregate principal amount of bonds to be secured thereby being limited to $5,000,000,000 at any one time outstanding (except as provided in Section 2.01 of the Indenture), and the Indenture describes and sets forth the property conveyed thereby and is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of

the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Indenture has been supplemented and amended by various indentures supplemental thereto, each of which is filed in the Office of the Secretary of State of the State of Michigan and is of record in the Office of the Register of Deeds of each county in the State of Michigan in which this Supplemental Indenture is to be recorded; and

WHEREAS the Company and the Maine corporation entered into an Agreement of Merger and Consolidation, dated as of February 14, 1968, which provided for the Maine corporation to merge into the Company; and

WHEREAS the effective date of such Agreement of Merger and Consolidation was June 6, 1968, upon which date the Maine corporation was merged into the Company and the name of the Company was changed from "Consumers Power Company of Michigan" to "Consumers Power Company"; and

WHEREAS the Company and the Predecessor Trustee entered into a Sixteenth Supplemental Indenture, dated as of June 4, 1968, which provided, among other things, for the assumption of the Indenture by the Company; and

WHEREAS said Sixteenth Supplemental Indenture became effective on the effective date of such Agreement of Merger and Consolidation; and

WHEREAS the Company has succeeded to and has been substituted for the Maine corporation under the Indenture with the same effect as if it had been named therein as the mortgagor corporation; and

WHEREAS effective March 11, 1997, the name of Consumers Power Company was changed to Consumers Energy Company; and

WHEREAS, the Company has entered into a Term Loan Agreement dated as of March 28, 2003 (the "Term Loan Agreement") with various financial institutions and Citicorp North America, Inc., as administrative agent (in such capacity, the "Agent") for the Banks (as such term is defined in the Term Loan Agreement) providing for the making of certain financial accommodations thereunder, and pursuant to such Term Loan Agreement the Company has agreed to issue to the Agent, as evidence of and security for the Obligations (as such term is defined in the Term Loan Agreement), a new series of bonds under the Indenture; and

WHEREAS, for such purposes the Company desires to issue a new series of bonds, to be designated First Mortgage Bonds, Collateral Series due 2006, each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2006 Collateral Series Bonds"), the bonds of which series are to be issued as registered bonds without coupons and are to bear interest at the rate per annum specified herein and are to mature March 28, 2006; and

WHEREAS, each of the registered bonds without coupons of the 2006 Collateral Series Bonds and the Trustee's Authentication Certificate thereon are to be substantially in the following form, to wit:

[FORM OF REGISTERED BOND OF THE 2006 COLLATERAL SERIES BONDS]

[FACE]

CONSUMERS ENERGY COMPANY
FIRST MORTGAGE BOND
COLLATERAL SERIES DUE 2006

No. 1 $150,000,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Citicorp North America, Inc., as agent (in such capacity, the "Agent") for the Banks under and as defined in the Amended and Restated Term Loan Agreement dated as of March 28, 2003 among the Company, the Banks and the Agent (the "Term Loan Agreement"), or registered assigns, the principal sum of One Hundred Fifty Million Dollars ($150,000,000) or such lesser principal amount as shall be equal to the aggregate principal amount of the Term Loans (as defined in the Term Loan Agreement) included in the Obligations (as defined in the Term Loan Agreement) outstanding on March 28, 2006 (the "Maturity Date"), but not in excess, however, of the principal amount of this bond, and to pay interest thereon at the Interest Rate (as defined below) until the principal hereof is paid or duly made available for payment on the Maturity Date, or, in the event of redemption of this bond, until the redemption date, or, in the event of default in the payment of the principal hereof, until the Company's obligations with respect to the payment of such principal shall be discharged as provided in the Indenture (as defined on the reverse hereof). Interest on this bond shall be payable on each Interest Payment Date (as defined below), commencing on the first Interest Payment Date next succeeding March 28, 2003. If the Maturity Date falls on a day which is not a Business Day, as defined below, principal and any interest and/or fees payable with respect to the Maturity Date will be paid on the immediately preceding Business Day. The interest payable, and punctually paid or duly provided for, on any Interest Payment Date will, subject to certain exceptions, be paid to the person in whose name this bond (or one or more predecessor bonds) is registered at the close of business on the Record Date (as defined below); provided, however, that interest payable on the Maturity Date will be payable to the person to whom the principal hereof shall be payable. Should the Company default in the payment of interest ("Defaulted Interest"), the Defaulted Interest shall be paid to the person in whose name this bond (or one or more predecessor bonds) is registered on a subsequent record date fixed by the Company, which subsequent record date shall be fifteen (15) days prior to the payment of such Defaulted Interest. As used herein, (A) "Business Day" shall mean any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York for the conduct of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system; (B) "Interest Payment Date" shall mean each date on which interest and/or fees under the Term Loan Agreement are due and payable from time to time pursuant to the Term Loan Agreement; (C) "Interest Rate" shall mean a rate of interest per annum, adjusted as necessary, to result in an interest payment equal to the aggregate amount of interest and fees due under the Term Loan Agreement on the applicable Interest Payment Date; and (D) "Record Date" with respect to any Interest Payment Date shall mean the day (whether or not a Business Day) immediately next preceding such Interest Payment Date.

Payment of the principal of and interest on this bond will be made in immediately available funds at the office or agency of the Company maintained for that purpose in the City of Jackson, Michigan, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

The provisions of this bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

This bond shall not be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee or its successor in trust under the Indenture of the certificate hereon.

IN WITNESS WHEREOF, Consumers Energy Company has caused this bond to be executed in its name by its Chairman of the Board, its President or one of its Vice Presidents by his or her signature or a facsimile thereof, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his or her signature or a facsimile thereof.

CONSUMERS ENERGY COMPANY

Dated:

By: _______________________________
Printed: __________________________
Title: ____________________________

Attest: _________________________

TRUSTEE'S AUTHENTICATION CERTIFICATE

This is one of the bonds, of the series designated therein, described in the within- mentioned Indenture.

JPMORGAN CHASE BANK, Trustee

By__________________________________
Authorized Officer

[REVERSE]

CONSUMERS ENERGY COMPANY

FIRST MORTGAGE BOND
COLLATERAL SERIES DUE 2006

This bond is one of the bonds of a series designated as First Mortgage Bonds, Collateral Series due 2006 (sometimes herein referred to as the "2006 Collateral Series Bonds") issued under and in accordance with and secured by an Indenture dated as of September 1, 1945, given by the Company (or its predecessor, Consumers Power Company, a Maine corporation) to City Bank Farmers Trust Company (JPMorgan Chase Bank, successor) (hereinafter sometimes referred to as the "Trustee"), together with indentures supplemental thereto, heretofore or hereafter executed, to which indenture and indentures supplemental thereto (hereinafter referred to collectively as the "Indenture") reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security and the rights, duties and immunities thereunder of the Trustee and the rights of the holders of said bonds and of the Trustee and of the Company in respect of such security, and the limitations on such rights. By the terms of the Indenture, the bonds to be secured thereby are issuable in series which may vary as to date, amount, date of maturity, rate of interest and in other respects as provided in the Indenture.

The 2006 Collateral Series Bonds are to be issued and delivered to the Agent in order evidence and secure the obligation of the Company under the Term Loan Agreement to make payments to the Banks under the Term Loan Agreement and to provide the Banks the benefit of the lien of the Indenture with respect to the 2006 Collateral Series Bonds.

The obligation of the Company to make payments with respect to the principal of 2006 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the principal of the Term Loans, a corresponding payment obligation with respect to the principal of the 2006 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The obligation of the Company to make payments with respect to the interest on 2006 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due interest and/or fees on the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the interest and/or fees on the Term Loans, a corresponding payment obligation with respect to the interest on the 2006 Collateral Series

Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on this bond, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2006 Collateral Series Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Term Loan Agreement, and (iii) the amount of the arrearage.

If an Event of Default (as defined in the Term Loan Agreement) with respect to the payment of the principal of any Term Loans shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the principal of the 2006 Collateral Series Bonds equal to the amount of such unpaid principal (but in no event in excess of the principal amount of the 2006 Collateral Series Bonds). If an Event of Default (as defined in the Term Loan Agreement) with respect to the payment of interest on any Term Loans or fees shall have occurred, it shall be deemed to be a default for purposes of Section 11.01 of the Indenture in the payment of the interest on the 2006 Collateral Series Bonds equal to the amount of such unpaid interest or fees.

This bond is not redeemable except upon written demand of the Agent following the occurrence of an Event of Default under the Term Loan Agreement and the acceleration of the Obligations, as provided in Section 9.2 of the Term Loan Agreement. This bond is not redeemable by the operation of the improvement fund or the maintenance and replacement provisions of the Indenture or with the proceeds of released property.

In case of certain defaults as specified in the Indenture, the principal of this bond may be declared or may become due and payable on the conditions, at the time, in the manner and with the effect provided in the Indenture. The holders of certain specified percentages of the bonds at the time outstanding, including in certain cases specified percentages of bonds of particular series, may in certain cases, to the extent and as provided in the Indenture, waive certain defaults thereunder and the consequences of such defaults.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the holders of not less than seventy-five per centum in principal amount of the bonds (exclusive of bonds disqualified by reason of the Company's interest therein) at the time outstanding, including, if more than one series of bonds shall be at the time outstanding, not less than sixty per centum in principal amount of each series affected, to effect, by an indenture supplemental to the Indenture, modifications or alterations of the Indenture and of the rights and obligations of the Company and the rights of the holders of the bonds and coupons; provided, however, that no such modification or alteration shall be made without the written approval or consent of the holder hereof which will (a) extend the maturity of this bond or reduce the rate or extend the time of payment of interest hereon or reduce the amount of the principal hereof, or (b) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of the Indenture, or (c) reduce the percentage of the principal amount of the bonds the holders of which are required to approve any such supplemental indenture.

The Company reserves the right, without any consent, vote or other action by holders of the 2006 Collateral Series Bonds or any other series created after the Sixty-eighth Supplemental Indenture to amend the Indenture to reduce the percentage of the principal amount of bonds the holders of which are required to approve any supplemental indenture (other than any supplemental indenture which is subject to the proviso contained in the immediately preceding sentence) (a) from not less than seventy-five per centum (including sixty per centum of each series affected) to not less than a majority in principal amount of the bonds at the time outstanding or (b) in case fewer than all series are affected, not less than a majority in principal amount of the bonds of all affected series, voting together.

No recourse shall be had for the payment of the principal of or interest on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, director or officer, past, present or future, as such, of the Company, or of any predecessor or successor company, either directly or through the Company, or such predecessor or successor company, or otherwise, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers, as such, being waived and released by the holder and owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture.

This bond shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

The Agent shall surrender this bond to the Trustee when all of the principal of and interest on the Term Loans arising under the Term Loan Agreement, and all of the fees payable pursuant to the Term Loan Agreement, shall have been duly paid, and the Term Loan Agreement shall have been terminated.

[END OF FORM OF REGISTERED BOND OF THE 2006 COLLATERAL SERIES BONDS]

AND WHEREAS all acts and things necessary to make the 2006 Collateral Series Bonds, when duly executed by the Company and authenticated by the Trustee or its agent and issued as prescribed in the Indenture, as heretofore supplemented and amended, and this Supplemental Indenture provided, the valid, binding and legal obligations of the Company, and to constitute the Indenture, as supplemented and amended as aforesaid, as well as by this Supplemental Indenture, a valid, binding and legal instrument for the security thereof, have been done and performed, and the creation, execution and delivery of this Supplemental Indenture and the creation, execution and issuance of bonds subject to the terms hereof and of the Indenture, as so supplemented and amended, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the premises, of the acceptance and purchase by the holders thereof of the bonds issued and to be issued under the Indenture, as supplemented and amended as above set forth, and of the sum of One Dollar duly paid by the Trustee to the Company, and of other good and valuable considerations, the receipt whereof is hereby acknowledged, and for the purpose of securing the due and punctual payment of the principal of and premium, if any, and interest on all bonds now outstanding under the Indenture and the $150,000,000 principal amount of the 2006 Collateral Series Bonds proposed to be issued initially and all other bonds which shall be issued under the Indenture, as supplemented and amended from time to time, and for the purpose of securing the faithful performance and observance of all covenants and conditions therein, and in any indenture supplemental thereto, set forth, the Company has given, granted, bargained, sold, released, transferred, assigned, hypothecated, pledged, mortgaged, confirmed, set over, warranted, alienated and conveyed and by these presents does give, grant, bargain, sell, release, transfer, assign, hypothecate, pledge, mortgage, confirm, set over, warrant, alien and convey unto JPMorgan Chase Bank, as Trustee, as provided in the Indenture, and its successor or successors in the trust thereby and hereby created and to its or their assigns forever, all the right, title and interest of the Company in and to all the property, described in Section 11 hereof, together (subject to the provisions of Article X of the Indenture) with the tolls, rents, revenues, issues, earnings, income, products and profits thereof, excepting, however, the property, interests and rights specifically excepted from the lien of the Indenture as set forth in the Indenture;

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the premises, property, franchises and rights, or any thereof, referred to in the foregoing granting clause, with the reversion and reversions, remainder and remainders and (subject to the provisions of Article X of the Indenture) the tolls, rents, revenues, issues, earnings, income, products and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, franchises and rights and every part and parcel thereof;

SUBJECT, HOWEVER, with respect to such premises, property, franchises and rights, to excepted encumbrances as said term is defined in Section 1.02 of the Indenture, and subject also to all defects and limitations of title and to all encumbrances existing at the time of acquisition. TO HAVE AND TO HOLD all said premises, property, franchises and rights hereby conveyed, assigned, pledged or mortgaged, or intended so to be, unto the Trustee, its successor or successors in trust and their assigns forever;

BUT IN TRUST, NEVERTHELESS, with power of sale for the equal and proportionate benefit and security of the holders of all bonds now or hereafter authenticated and delivered under and secured by the Indenture and interest coupons appurtenant thereto, pursuant to the provisions of the Indenture and of any supplemental indenture, and for the enforcement of the payment of said bonds and coupons when payable and the performance of and compliance with the covenants and conditions of the Indenture and of any supplemental indenture, without any preference, distinction or priority as to lien or otherwise of any bond or bonds over others by reason of the difference in time of the actual authentication, delivery, issue, sale or negotiation thereof or for any other reason whatsoever, except as otherwise expressly provided in the Indenture; and so that each and every bond now or hereafter authenticated and delivered thereunder shall have the same lien, and so that the principal of and premium, if any, and interest on every such bond shall, subject to the terms thereof, be equally and proportionately secured, as if it had been made, executed, authenticated, delivered, sold and negotiated simultaneously with the execution and delivery thereof;

AND IT IS EXPRESSLY DECLARED by the Company that all bonds authenticated and delivered under and secured by the Indenture, as supplemented and amended as above set forth, are to be issued, authenticated and delivered, and all said premises, property, franchises and rights hereby and by the Indenture and indentures supplemental thereto conveyed, assigned, pledged or mortgaged, or intended so to be, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes expressed in the Indenture, as supplemented and amended as above set forth, and the parties hereto mutually agree as follows:

SECTION 1. There is hereby created one series of bonds (the "2006 Collateral Series Bonds") designated as hereinabove provided, which shall also bear the descriptive title "First Mortgage Bond", and the form thereof shall be substantially as hereinbefore set forth (the "Sample Bond"). The 2006 Collateral Series Bonds shall be issued in the aggregate principal amount of $150,000,000, shall mature on March 28, 2006 and shall be issued only as registered bonds without coupons in denominations of $1,000 and any multiple thereof. The serial numbers of the 2006 Collateral Series Bonds shall be such as may be approved by any officer of the Company, the execution thereof by any such officer either manually or by facsimile signature to be conclusive evidence of such approval. The 2006 Collateral Series Bonds are to be issued to and registered in the name of the Agent under the Term Loan Agreement (as such terms are defined in the Sample Bond) to evidence and secure any and all Obligations (as such term is defined in the Term Loan Agreement) of the Company under the Term Loan Agreement.

The 2006 Collateral Series Bonds shall bear interest as set forth in the Sample Bond. The principal of and the interest on said bonds shall be payable as set forth in the Sample Bond.

The obligation of the Company to make payments with respect to the principal of 2006 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due principal of the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the principal of the Term Loans, a corresponding payment obligation with respect to the principal of the 2006 Collateral Series Bonds shall be deemed discharged in the

same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The obligation of the Company to make payments with respect to the interest on 2006 Collateral Series Bonds shall be fully or partially, as the case may be, satisfied and discharged to the extent that, at the time that any such payment shall be due, the then due interest and/or fees on the Term Loans included in the Obligations shall have been fully or partially paid. Satisfaction of any obligation to the extent that payment is made with respect to the Term Loans means that if any payment is made on the interest and/or fees on the Term Loans, a corresponding payment obligation with respect to the interest on the 2006 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Term Loans discharges the outstanding obligation with respect to such Term Loans.

The Trustee may at any time and all times conclusively assume that the obligation of the Company to make payments with respect to the principal of and interest on the 2006 Collateral Series Bonds, so far as such payments at the time have become due, has been fully satisfied and discharged unless and until the Trustee shall have received a written notice from the Agent stating (i) that timely payment of principal and interest on the 2006 Collateral Series Bonds has not been made, (ii) that the Company is in arrears as to the payments required to be made by it to the Agent pursuant to the Term Loan Agreement, and (iii) the amount of the arrearage.

The 2006 Collateral Series Bonds shall be exchangeable for other registered bonds of the same series, in the manner and upon the conditions prescribed in the Indenture, upon the surrender of such bonds at the Investor Services Department of the Company, as transfer agent. However, notwithstanding the provisions of Section 2.05 of the Indenture, no charge shall be made upon any registration of transfer or exchange of bonds of said series other than for any tax or taxes or other governmental charge required to be paid by the Company.

SECTION 2. The 2006 Collateral Series Bonds are not redeemable by the operation of the maintenance and replacement provisions of this Indenture or with the proceeds of released property.

SECTION 3. Upon the occurrence of an Event of Default under the Term Loan Agreement and the acceleration of the Obligations, the 2006 Collateral Series Bonds shall be redeemable in whole upon receipt by the Trustee of a written demand from the Agent stating that there has occurred under the Term Loan Agreement both an Event of Default and a declaration of acceleration of the Obligations and demanding redemption of the 2006 Collateral Series Bonds (including a description of the amount of principal, interest and fees which comprise such Obligations). The Company waives any right it may have to prior notice of such redemption under the Indenture. Upon surrender of the 2006 Collateral Series Bonds by the Agent to the Trustee, the 2006 Collateral Series Bonds shall be redeemed at a redemption price equal to the aggregate amount of the Obligations.

SECTION 4. The Company reserves the right, without any consent, vote or other action by the holder of the 2006 Collateral Series Bonds or of any subsequent series of bonds issued under the Indenture, to make such amendments to the Indenture, as supplemented, as shall be necessary in order to amend Section 17.02 to read as follows:

SECTION 17.02. With the consent of the holders of not less than a majority in principal amount of the bonds at the time outstanding or their attorneys-in-fact duly authorized, or, if fewer than all series are affected, not less than a majority in principal amount of the bonds at the time outstanding of each series the rights of the holders of which are affected, voting together, the Company, when authorized by a resolution, and the Trustee may from time to time and at any time enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of any supplemental indenture or modifying the rights and obligations of the Company and the rights of the holders of any of the bonds and coupons; provided, however, that no such supplemental indenture shall (1) extend the maturity of any of the bonds or reduce the rate or extend the time of payment of interest thereon, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each bond so affected, or (2) permit the creation of any lien, not otherwise permitted, prior to or on a parity with the lien of this Indenture, without the consent of the holders of all the bonds then outstanding, or (3) reduce the aforesaid percentage of the principal amount of bonds the holders of which are required to approve any such supplemental indenture, without the consent of the holders of all the bonds then outstanding. For the purposes of this Section, bonds shall be deemed to be affected by a supplemental indenture if such supplemental indenture adversely affects or diminishes the rights of holders thereof against the Company or against its property. The Trustee may in its discretion determine whether or not, in accordance with the foregoing, bonds of any particular series would be affected by any supplemental indenture and any such determination shall be conclusive upon the holders of bonds of such series and all other series. Subject to the provisions of Sections 16.02 and 16.03 hereof, the Trustee shall not be liable for any determination made in good faith in connection herewith.

Upon the written request of the Company, accompanied by a resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of bondholders as aforesaid (the instrument or instruments evidencing such consent to be dated within one year of such request), the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion but shall not be obligated to enter into such supplemental indenture.

It shall not be necessary for the consent of the bondholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

The Company and the Trustee, if they so elect, and either before or after such consent has been obtained, may require the holder of any bond consenting to the execution of any such supplemental indenture to submit his bond to the Trustee or to ask such bank, banker or trust company as may be designated by the Trustee

for the purpose, for the notation thereon of the fact that the holder of such bond has consented to the execution of such supplemental indenture, and in such case such notation, in form satisfactory to the Trustee, shall be made upon all bonds so submitted, and such bonds bearing such notation shall forthwith be returned to the persons entitled thereto.

Prior to the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of this Section, the Company shall publish a notice, setting forth in general terms the substance of such supplemental indenture, at least once in one daily newspaper of general circulation in each city in which the principal of any of the bonds shall be payable, or, if all bonds outstanding shall be registered bonds without coupons or coupon bonds registered as to principal, such notice shall be sufficiently given if mailed, first class, postage prepaid, and registered if the Company so elects, to each registered holder of bonds at the last address of such holder appearing on the registry books, such publication or mailing, as the case may be, to be made not less than thirty days prior to such execution. Any failure of the Company to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 5. As supplemented and amended as above set forth, the Indenture is in all respects ratified and confirmed, and the Indenture and all indentures supplemental thereto shall be read, taken and construed as one and the same instrument.

SECTION 6. Nothing contained in this Supplemental Indenture shall, or shall be construed to, confer upon any person other than a holder of bonds issued under the Indenture, as supplemented and amended as above set forth, the Company, the Trustee and the Agent, for the benefit of the Banks (as such term is defined in the Term Loan Agreement), any right or interest to avail himself of any benefit under any provision of the Indenture, as so supplemented and amended.

SECTION 7. The Trustee assumes no responsibility for or in respect of the validity or sufficiency of this Supplemental Indenture or of the Indenture as hereby supplemented or the due execution hereof by the Company or for or in respect of the recitals and statements contained herein (other than those contained in the sixth, seventh and eighth recitals hereof), all of which recitals and statements are made solely by the Company.

SECTION 8. This Supplemental Indenture may be simultaneously executed in several counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

SECTION 9. In the event the date of any notice required or permitted hereunder shall not be a Business Day, then (notwithstanding any other provision of the Indenture or of any supplemental indenture thereto) such notice need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date fixed for such notice. "Business Day" means, with respect to this Section 9, any day, other than a Saturday or Sunday, on which banks generally are open in New York, New York for the conduct

of substantially all of their commercial lending activities and on which interbank wire transfers can be made on the Fedwire system.

SECTION 10. This Supplemental Indenture and the 2006 Collateral Series Bonds shall be governed by and deemed to be a contract under, and construed in accordance with, the laws of the State of Michigan, and for all purposes shall be construed in accordance with the laws of such state, except as may otherwise be required by mandatory provisions of law.

SECTION 11. Detailed Description of Property Mortgaged:

I.

ELECTRIC GENERATING PLANTS AND DAMS

All the electric generating plants and stations of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including all powerhouses, buildings, reservoirs, dams, pipelines, flumes, structures and works and the land on which the same are situated and all water rights and all other lands and easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such plants and stations or any of them, or adjacent thereto.

II.

ELECTRIC TRANSMISSION LINES

All the electric transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including towers, poles, pole lines, wires, switches, switch racks, switchboards, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation. Also all the real property, rights of way, easements, permits, privileges and rights for or relating to the construction, maintenance or operation of certain transmission lines, the land and rights for which are owned by the Company, which are either not built or now being constructed.

III.

ELECTRIC DISTRIBUTION SYSTEMS

All the electric distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including substations, transformers, switchboards,

towers, poles, wires, insulators, subways, trenches, conduits, manholes, cables, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IV.

ELECTRIC SUBSTATIONS, SWITCHING STATIONS AND SITES

All the substations, switching stations and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for transforming, regulating, converting or distributing or otherwise controlling electric current at any of its plants and elsewhere, together with all buildings, transformers, wires, insulators and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such substations and switching stations, or adjacent thereto, with sites to be used for such purposes.

V.

GAS COMPRESSOR STATIONS, GAS PROCESSING PLANTS, DESULPHURIZATION STATIONS, METERING STATIONS, ODORIZING STATIONS, REGULATORS AND SITES

All the compressor stations, processing plants, desulphurization stations, metering stations, odorizing stations, regulators and sites of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, for compressing, processing, desulphurizing, metering, odorizing and regulating manufactured or natural gas at any of its plants and elsewhere, together with all buildings, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with any of such purposes, with sites to be used for such purposes.

VI.

GAS STORAGE FIELDS

The natural gas rights and interests of the Company, including wells and well lines (but not including natural gas, oil and minerals), the gas gathering system, the underground gas storage rights, the underground gas storage wells and injection and withdrawal system used in connection therewith, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture: In the Overisel Gas Storage Field, located in the Township of Overisel, Allegan County, and in the Township of Zeeland, Ottawa County, Michigan; in the Northville Gas Storage Field located

in the Township of Salem, Washtenaw County, Township of Lyon, Oakland County, and the Townships of Northville and Plymouth and City of Plymouth, Wayne County, Michigan; in the Salem Gas Storage Field, located in the Township of Salem, Allegan County, and in the Township of Jamestown, Ottawa County, Michigan; in the Ray Gas Storage Field, located in the Townships of Ray and Armada, Macomb County, Michigan; in the Lenox Gas Storage Field, located in the Townships of Lenox and Chesterfield, Macomb County, Michigan; in the Ira Gas Storage Field, located in the Township of Ira, St. Clair County, Michigan; in the Puttygut Gas Storage Field, located in the Township of Casco, St. Clair County, Michigan; in the Four Corners Gas Storage Field, located in the Townships of Casco, China, Cottrellville and Ira, St. Clair County, Michigan; in the Swan Creek Gas Storage Field, located in the Township of Casco and Ira, St. Clair County, Michigan; and in the Hessen Gas Storage Field, located in the Townships of Casco and Columbus, St. Clair, Michigan.

VII.

GAS TRANSMISSION LINES

All the gas transmission lines of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including gas mains, pipes, pipelines, gates, valves, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such transmission lines or any of them or adjacent thereto; together with all real property, right of way, easements, permits, privileges, franchises and rights for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways, within as well as without the corporate limits of any municipal corporation.

VIII.

GAS DISTRIBUTION SYSTEMS

All the gas distribution systems of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, including tunnels, conduits, gas mains and pipes, service pipes, fittings, gates, valves, connections, meters and other appliances and equipment, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such distribution systems or any of them or adjacent thereto; together with all real property, rights of way, easements, permits, privileges, franchises, grants and rights, for or relating to the construction, maintenance or operation thereof, through, over, under or upon any private property or any public streets or highways within as well as without the corporate limits of any municipal corporation.

IX.

OFFICE BUILDINGS, SERVICE BUILDINGS, GARAGES, ETC.

All office, garage, service and other buildings of the Company, wherever located, in the State of Michigan, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, together with the land on which the same are situated and all easements, rights of way and appurtenances to said lands, together with all furniture and fixtures located in said buildings.

X.

TELEPHONE PROPERTIES AND
RADIO COMMUNICATION EQUIPMENT

All telephone lines, switchboards, systems and equipment of the Company, constructed or otherwise acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture, used or available for use in the operation of its properties, and all other property, real or personal, forming a part of or appertaining to or used, occupied or enjoyed in connection with such telephone properties or any of them or adjacent thereto; together with all real estate, rights of way, easements, permits, privileges, franchises, property, devices or rights related to the dispatch, transmission, reception or reproduction of messages, communications, intelligence, signals, light, vision or sound by electricity, wire or otherwise, including all telephone equipment installed in buildings used as general and regional offices, substations and generating stations and all telephone lines erected on towers and poles; and all radio communication equipment of the Company, together with all property, real or personal (except any in the Indenture expressly excepted), fixed stations, towers, auxiliary radio buildings and equipment, and all appurtenances used in connection therewith, wherever located, in the State of Michigan.

XI.

OTHER REAL PROPERTY

All other real property of the Company and all interests therein, of every nature and description (except any in the Indenture expressly excepted) wherever located, in the State of Michigan, acquired by it and not heretofore described in the Indenture or any supplement thereto and not heretofore released from the lien of the Indenture. Such real property includes but is not limited to the following described property, such property is subject to any interests that were excepted or reserved in the conveyance to the Company:

ALCONA COUNTY

Certain land in Caledonia Township, Alcona County, Michigan described as:

> The East 330 feet of the South 660 feet of the SW 1/4 of the SW 1/4 of Section 8, T28N, R8E, except the West 264 feet of the South 330 feet thereof; said land being more particularly described as follows: To find the place of

beginning of this description, commence at the Southwest corner of said section, run thence East along the South line of said section 1243 feet to the place of beginning of this description, thence continuing East along said South line of said section 66 feet to the West 1/8 line of said section, thence N 02 degrees 09' 30" E along the said West 1/8 line of said section 660 feet, thence West 330 feet, thence S 02 degrees 09' 30" W, 330 feet, thence East 264 feet, thence S 02 degrees 09' 30" W, 330 feet to the place of beginning.

ALLEGAN COUNTY

Certain land in Lee Township, Allegan County, Michigan described as:

The NE 1/4 of the NW 1/4 of Section 16, T1N, R15W.

ALPENA COUNTY

Certain land in Wilson and Green Townships, Alpena County, Michigan described as:

All that part of the S'ly 1/2 of the former Boyne City-Gaylord and Alpena Railroad right of way, being the Southerly 50 feet of a 100 foot strip of land formerly occupied by said Railroad, running from the East line of Section 31, T31N, R7E, Southwesterly across said Section 31 and Sections 5 and 6 of T30N, R7E and Sections 10, 11 and the E 1/2 of Section 9, except the West 1646 feet thereof, all in T30N, R6E.

ANTRIM COUNTY

Certain land in Mancelona Township, Antrim County, Michigan described as:

The S 1/2 of the NE 1/4 of Section 33, T29N, R6W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the State of Michigan to August W. Schack and Emma H. Schack, his wife, dated April 15, 1946 and recorded May 20, 1946 in Liber 97 of Deeds on page 682 of Antrim County Records.

ARENAC COUNTY

Certain land in Standish Township, Arenac County, Michigan described as:

A parcel of land in the SW 1/4 of the NW 1/4 of Section 12, T18N, R4E, described as follows: To find the place of beginning of said parcel of land, commence at the Northwest corner of Section 12, T18N, R4E; run thence South along the West line of said section, said West line of said section being also the center line of East City Limits Road 2642.15 feet to the W 1/4 post of said section and the place of beginning of said parcel of land; running thence N 88 degrees 26' 00" E along the East and West 1/4 line of said section, 660.0 feet; thence North parallel with the West line of said section, 310.0 feet; thence S 88 degrees 26' 00"

W, 330.0 feet; thence South parallel with the West line of said section, 260.0 feet; thence S 88 degrees 26' 00" W, 330.0 feet to the West line of said section and the center line of East City Limits Road; thence South along the said West line of said section, 50.0 feet to the place of beginning.

BARRY COUNTY

Certain land in Johnstown Township, Barry County, Michigan described as:

A strip of land 311 feet in width across the SW 1/4 of the NE 1/4 of Section 31, T1N, R8W, described as follows: To find the place of beginning of this description, commence at the E 1/4 post of said section; run thence N 00 degrees 55' 00" E along the East line of said section, 555.84 feet; thence N 59 degrees 36' 20" W, 1375.64 feet; thence N 88 degrees 30' 00" W, 130 feet to a point on the East 1/8 line of said section and the place of beginning of this description; thence continuing N 88 degrees 30' 00" W, 1327.46 feet to the North and South 1/4 line of said section; thence S 00 degrees 39'35" W along said North and South 1/4 line of said section, 311.03 feet to a point, which said point is 952.72 feet distant N'ly from the East and West 1/4 line of said section as measured along said North and South 1/4 line of said section; thence S 88 degrees 30' 00" E, 1326.76 feet to the East 1/8 line of said section; thence N 00 degrees 47' 20" E along said East 1/8 line of said section, 311.02 feet to the place of beginning.

BAY COUNTY

Certain land in Frankenlust Township, Bay County, Michigan described as:

The South 250 feet of the N 1/2 of the W 1/2 of the W 1/2 of the SE 1/4 of Section 9, T13N, R4E.

BENZIE COUNTY

Certain land in Benzonia Township, Benzie County, Michigan described as:

A parcel of land in the Northeast 1/4 of Section 7, Township 26 North, Range 14 West, described as beginning at a point on the East line of said Section 7, said point being 320 feet North measured along the East line of said section from the East 1/4 post; running thence West 165 feet; thence North parallel with the East line of said section 165 feet; thence East 165 feet to the East line of said section; thence South 165 feet to the place of beginning.

BRANCH COUNTY

Certain land in Girard Township, Branch County, Michigan described as:

A parcel of land in the NE 1/4 of Section 23 T5S, R6W, described as beginning at a point on the North and South quarter line of said section at a point

1278.27 feet distant South of the North quarter post of said section, said distance being measured along the North and South quarter line of said section, running thence S89 degrees21'E 250 feet, thence North along a line parallel with the said North and South quarter line of said section 200 feet, thence N89 degrees21'W 250 feet to the North and South quarter line of said section, thence South along said North and South quarter line of said section 200 feet to the place of beginning.

CALHOUN COUNTY

Certain land in Convis Township, Calhoun County, Michigan described as:

A parcel of land in the SE 1/4 of the SE 1/4 of Section 32, T1S, R6W, described as follows: To find the place of beginning of this description, commence at the Southeast corner of said section; run thence North along the East line of said section 1034.32 feet to the place of beginning of this description; running thence N 89 degrees 39' 52" W, 333.0 feet; thence North 290.0 feet to the South 1/8 line of said section; thence S 89 degrees 39' 52" E along said South 1/8 line of said section 333.0 feet to the East line of said section; thence South along said East line of said section 290.0 feet to the place of beginning. (Bearings are based on the East line of Section 32, T1S, R6W, from the Southeast corner of said section to the Northeast corner of said section assumed as North.)

CASS COUNTY

Certain easement rights located across land in Marcellus Township, Cass County, Michigan described as:

The East 6 rods of the SW 1/4 of the SE 1/4 of Section 4, T5S, R13W.

CHARLEVOIX COUNTY

Certain land in South Arm Township, Charlevoix County, Michigan described as:

A parcel of land in the SW 1/4 of Section 29, T32N, R7W, described as follows: Beginning at the Southwest corner of said section and running thence North along the West line of said section 788.25 feet to a point which is 528 feet distant South of the South 1/8 line of said section as measured along the said West line of said section; thence N 89 degrees 30' 19" E, parallel with said South 1/8 line of said section 442.1 feet; thence South 788.15 feet to the South line of said section; thence S 89 degrees 29' 30" W, along said South line of said section 442.1 feet to the place of beginning.

CHEBOYGAN COUNTY

Certain land in Inverness Township, Cheboygan County, Michigan described as:

A parcel of land in the SW frl 1/4 of Section 31, T37N, R2W, described as beginning at the Northwest corner of the SW frl 1/4, running thence East on the East and West quarter line of said Section, 40 rods, thence South parallel to the West line of said Section 40 rods, thence West 40 rods to the West line of said Section, thence North 40 rods to the place of beginning.

CLARE COUNTY

Certain land in Frost Township, Clare County, Michigan described as:

The East 150 feet of the North 225 feet of the NW 1/4 of the NW 1/4 of Section 15, T20N, R4W.

CLINTON COUNTY

Certain land in Watertown Township, Clinton County, Michigan described as:

The NE 1/4 of the NE 1/4 of the SE 1/4 of Section 22, and the North 165 feet of the NW 1/4 of the NE 1/4 of the SE 1/4 of Section 22, T5N, R3W.

CRAWFORD COUNTY

Certain land in Lovells Township, Crawford County, Michigan described as:

A parcel of land in Section 1, T28N, R1W, described as: Commencing at NW corner said section; thence South 89 degrees53'30" East along North section line 105.78 feet to point of beginning; thence South 89 degrees53'30" East along North section line 649.64 feet; thence South 55 degrees 42'30" East 340.24 feet; thence South 55 degrees 44' 37"" East 5,061.81 feet to the East section line; thence South 00 degrees 00' 08"" West along East section line 441.59 feet; thence North 55 degrees 44' 37" West 5,310.48 feet; thence North 55 degrees 42'30" West 877.76 feet to point of beginning.

EATON COUNTY

Certain land in Eaton Township, Eaton County, Michigan described as:

A parcel of land in the SW 1/4 of Section 6, T2N, R4W, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence N 89 degrees 51' 30" E along the South line of said section 400 feet to the place of beginning of this description; thence continuing N 89 degrees 51' 30" E, 500 feet; thence N 00 degrees 50' 00" W, 600 feet; thence S 89 degrees 51' 30" W parallel with the South line of said

section 500 feet; thence S 00 degrees 50' 00" E, 600 feet to the place of beginning.

EMMET COUNTY

Certain land in Wawatam Township, Emmet County, Michigan described as:

The West 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 23, T39N, R4W.

GENESEE COUNTY

Certain land in Argentine Township, Genesee County, Michigan described as:

A parcel of land of part of the SW 1/4 of Section 8, T5N, R5E, being more particularly described as follows:

Beginning at a point of the West line of Duffield Road, 100 feet wide, (as now established) distant 829.46 feet measured N01 degrees42'56"W and 50 feet measured S88 degrees14'04"W` from the South quarter corner, Section 8, T5N, R5E; thence S88 degrees14'04"W a distance of 550 feet; thence N01 degrees42'56"W a distance of 500 feet to a point on the North line of the South half of the Southwest quarter of said Section 8; thence N88 degrees14'04"E along the North line of South half of the Southwest quarter of said Section 8 a distance 550 feet to a point on the West line of Duffield Road, 100 feet wide (as now established); thence S01 degrees42'56"E along the West line of said Duffield Road a distance of 500 feet to the point of beginning.

GLADWIN COUNTY

Certain land in Secord Township, Gladwin County, Michigan described as:

The East 400 feet of the South 450 feet of Section 2, T19N, R1E.

GRAND TRAVERSE COUNTY

Certain land in Mayfield Township, Grand Traverse County, Michigan described as:

A parcel of land in the Northwest 1/4 of Section 3, T25N, R11W, described as follows: Commencing at the Northwest corner of said section, running thence S 89 degrees19'15" E along the North line of said section and the center line of Clouss Road 225 feet, thence South 400 feet, thence N 89 degrees19'15" W 225 feet to the West line of said section and the center line of Hannah Road, thence North along the West line of said section and the center line of Hannah Road 400 feet to the place of beginning for this description.

GRATIOT COUNTY

Certain land in Fulton Township, Gratiot County, Michigan described as:

A parcel of land in the NE 1/4 of Section 7, Township 9 North, Range 3 West, described as beginning at a point on the North line of George Street in the Village of Middleton, which is 542 feet East of the North and South one-quarter (1/4) line of said Section 7; thence North 100 feet; thence East 100 feet; thence South 100 feet to the North line of George Street; thence West along the North line of George Street 100 feet to place of beginning.

HILLSDALE COUNTY

Certain land in Litchfield Village, Hillsdale County, Michigan described as:

Lot 238 of Assessors Plat of the Village of Litchfield.

HURON COUNTY

Certain easement rights located across land in Sebewaing Township, Huron County, Michigan described as:

The North 1/2 of the Northwest 1/4 of Section 15, T15N, R9E.

INGHAM COUNTY

Certain land in Vevay Township, Ingham County, Michigan described as:

A parcel of land 660 feet wide in the Southwest 1/4 of Section 7 lying South of the centerline of Sitts Road as extended to the North-South 1/4 line of said Section 7, T2N, R1W, more particularly described as follows: Commence at the Southwest corner of said Section 7, thence North along the West line of said Section 2502.71 feet to the centerline of Sitts Road; thence South 89 degrees54'45" East along said centerline 2282.38 feet to the place of beginning of this description; thence continuing South 89 degrees54'45" East along said centerline and said centerline extended 660.00 feet to the North-South 1/4 line of said section; thence South 00 degrees07'20" West 1461.71 feet; thence North 89 degrees34'58" West 660.00 feet; thence North 00 degrees07'20" East 1457.91 feet to the centerline of Sitts Road and the place of beginning.

IONIA COUNTY

Certain land in Sebewa Township, Ionia County, Michigan described as:

A strip of land 280 feet wide across that part of the SW 1/4 of the NE 1/4 of Section 15, T5N, R6W, described as follows:

To find the place of beginning of this description commence at the E 1/4 corner of said section; run thence N 00 degrees 05' 38" W along the East line of said section, 1218.43 feet; thence S 67 degrees 18' 24" W, 1424.45 feet to the East 1/8 line of said section and the place of beginning of this description; thence continuing S 67 degrees 18' 24" W, 1426.28 feet to the North and South 1/4 line of said section at a point which said point is 105.82 feet distant N'ly of the center of said section as measured along said North and South 1/4 line of said section; thence N 00 degrees 04' 47" E along said North and South 1/4 line of said section, 303.67 feet; thence N 67 degrees 18' 24" E, 1425.78 feet to the East 1/8 line of said section; thence S 00 degrees 00' 26" E along said East 1/8 line of said section, 303.48 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R6W, from the E 1/4 corner of said section to the Northeast corner of said section assumed as N 00 degrees 05' 38" W.)

IOSCO COUNTY

Certain land in Alabaster Township, Iosco County, Michigan described as:

A parcel of land in the NW 1/4 of Section 34, T21N, R7E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence South along the North and South 1/4 line of said section, 1354.40 feet to the place of beginning of this description; thence continuing South along the said North and South 1/4 line of said section, 165.00 feet to a point on the said North and South 1/4 line of said section which said point is 1089.00 feet distant North of the center of said section; thence West 440.00 feet; thence North 165.00 feet; thence East 440.00 feet to the said North and South 1/4 line of said section and the place of beginning.

ISABELLA COUNTY

Certain land in Chippewa Township, Isabella County, Michigan described as:

The North 8 rods of the NE 1/4 of the SE 1/4 of Section 29, T14N, R3W.

JACKSON COUNTY

Certain land in Waterloo Township, Jackson County, Michigan described as:

A parcel of land in the North fractional part of the N fractional 1/2 of Section 2, T1S, R2E, described as follows: To find the place of beginning of this description commence at the E 1/4 post of said section; run thence N 01 degrees 03' 40" E along the East line of said section 1335.45 feet to the North 1/8 line of said section and the place of beginning of this description; thence N 89 degrees 32' 00" W, 2677.7 feet to the North and South 1/4 line of said section; thence S 00 degrees 59' 25" W along the North and South 1/4 line of said section 22.38 feet to the North 1/8 line of said section; thence S 89 degrees 59' 10" W along the North 1/8 line of said section 2339.4 feet to the center line of State Trunkline Highway M-52; thence N 53 degrees 46' 00" W along the center line of said State

Trunkline Highway 414.22 feet to the West line of said section; thence N 00 degrees 55' 10" E along the West line of said section 74.35 feet; thence S 89 degrees 32' 00" E, 5356.02 feet to the East line of said section; thence S 01 degrees 03' 40" W along the East line of said section 250 feet to the place of beginning.

KALAMAZOO COUNTY

Certain land in Alamo Township, Kalamazoo County, Michigan described as:

The South 350 feet of the NW 1/4 of the NW 1/4 of Section 16, T1S, R12W, being more particularly described as follows: To find the place of beginning of this description, commence at the Northwest corner of said section; run thence S 00 degrees 36' 55" W along the West line of said section 971.02 feet to the place of beginning of this description; thence continuing S 00 degrees 36' 55" W along said West line of said section 350.18 feet to the North 1/8 line of said section; thence S 87 degrees 33' 40" E along the said North 1/8 line of said section 1325.1 feet to the West 1/8 line of said section; thence N 00 degrees 38' 25" E along the said West 1/8 line of said section 350.17 feet; thence N 87 degrees 33' 40" W, 1325.25 feet to the place of beginning.

KALKASKA COUNTY

Certain land in Kalkaska Township, Kalkaska County, Michigan described as:

The NW 1/4 of the SW 1/4 of Section 4, T27N, R7W, excepting therefrom all mineral, coal, oil and gas and such other rights as were reserved unto the State of Michigan in that certain deed running from the Department of Conservation for the State of Michigan to George Welker and Mary Welker, his wife, dated October 9, 1934 and recorded December 28, 1934 in Liber 39 on page 291 of Kalkaska County Records, and subject to easement for pipeline purposes as granted to Michigan Consolidated Gas Company by first party herein on April 4, 1963 and recorded June 21, 1963 in Liber 91 on page 631 of Kalkaska County Records.

KENT COUNTY

Certain land in Caledonia Township, Kent County, Michigan described as:

A parcel of land in the Northwest fractional 1/4 of Section 15, T5N, R10W, described as follows: To find the place of beginning of this description commence at the North 1/4 corner of said section, run thence S 0 degrees 59' 26" E along the North and South 1/4 line of said section 2046.25 feet to the place of beginning of this description, thence continuing S 0 degrees 59' 26" E along said North and South 1/4 line of said section 332.88 feet, thence S 88 degrees 58' 30" W 2510.90 feet to a point herein designated "Point A" on the East bank of the Thornapple River, thence continuing S 88 degrees 53' 30" W to the center thread of the Thornapple River, thence NW'ly along the center thread of said Thornapple

River to a point which said point is S 88 degrees 58' 30" W of a point on the East bank of the Thornapple River herein designated "Point B", said "Point B" being N 23 degrees 41' 35" W 360.75 feet from said above-described "Point A", thence N 88 degrees 58' 30" E to said "Point B", thence continuing N 88 degrees 58' 30" E 2650.13 feet to the place of beginning. (Bearings are based on the East line of Section 15, T5N, R10W between the East 1/4 corner of said section and the Northeast corner of said section assumed as N 0 degrees 59' 55" W.)

LAKE COUNTY

Certain land in Pinora and Cherry Valley Townships, Lake County, Michigan described as:

A strip of land 50 feet wide East and West along and adjoining the West line of highway on the East side of the North 1/2 of Section 13 T18N, R12W. Also a strip of land 100 feet wide East and West along and adjoining the East line of the highway on the West side of following described land: The South 1/2 of NW 1/4, and the South 1/2 of the NW 1/4 of the SW 1/4, all in Section 6, T18N, R11W.

LAPEER COUNTY

Certain land in Hadley Township, Lapeer County, Michigan described as:

The South 825 feet of the W 1/2 of the SW 1/4 of Section 24, T6N, R9E, except the West 1064 feet thereof.

LEELANAU COUNTY

Certain land in Cleveland Township, Leelanau County, Michigan described as:

The North 200 feet of the West 180 feet of the SW 1/4 of the SE 1/4 of Section 35, T29N, R13W.

LENAWEE COUNTY

Certain land in Madison Township, Lenawee County, Michigan described as:

A strip of land 165 feet wide off the West side of the following described premises: The E 1/2 of the SE 1/4 of Section 12. The E 1/2 of the NE 1/4 and the NE 1/4 of the SE 1/4 of Section 13, being all in T7S, R3E, excepting therefrom a parcel of land in the E 1/2 of the SE 1/4 of Section 12, T7S, R3E, beginning at the Northwest corner of said E 1/2 of the SE 1/4 of Section 12, running thence East 4 rods, thence South 6 rods, thence West 4 rods, thence North 6 rods to the place of beginning.

LIVINGSTON COUNTY

Certain land in Cohoctah Township, Livingston County, Michigan described as:

Parcel 1

The East 390 feet of the East 50 rods of the SW 1/4 of Section 30, T4N, R4E.

Parcel 2

A parcel of land in the NW 1/4 of Section 31, T4N, R4E, described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 13' 06" W along the North line of said section, 330 feet to the place of beginning of this description; running thence S 00 degrees 52' 49" W, 2167.87 feet; thence N 88 degrees 59' 49" W, 60 feet; thence N 00 degrees 52' 49" E, 2167.66 feet to the North line of said section; thence S 89 degrees 13' 06" E along said North line of said section, 60 feet to the place of beginning.

MACOMB COUNTY

Certain land in Macomb Township, Macomb County, Michigan described as:

A parcel of land commencing on the West line of the E 1/2 of the NW 1/4 of fractional Section 6, 20 chains South of the NW corner of said E 1/2 of the NW 1/4 of Section 6; thence South on said West line and the East line of A. Henry Kotner's Hayes Road Subdivision #15, according to the recorded plat thereof, as recorded in Liber 24 of Plats, on page 7, 24.36 chains to the East and West 1/4 line of said Section 6; thence East on said East and West 1/4 line 8.93 chains; thence North parallel with the said West line of the E 1/2 of the NW 1/4 of Section 6, 24.36 chains; thence West 8.93 chains to the place of beginning, all in T3N, R13E.

MANISTEE COUNTY

Certain land in Manistee Township, Manistee County, Michigan described as:

A parcel of land in the SW 1/4 of Section 20, T22N, R16W, described as follows: To find the place of beginning of this description, commence at the Southwest corner of said section; run thence East along the South line of said section 832.2 feet to the place of beginning of this description; thence continuing East along said South line of said section 132 feet; thence North 198 feet; thence West 132 feet; thence South 198 feet to the place of beginning, excepting therefrom the South 2 rods thereof which was conveyed to Manistee Township for highway purposes by a Quitclaim Deed dated June 13, 1919 and recorded July [11], 1919 in Liber 88 of Deeds on page 638 of Manistee County Records.

MASON COUNTY

Certain land in Riverton Township, Mason County, Michigan described as:

Parcel 1

The South 10 acres of the West 20 acres of the S 1/2 of the NE 1/4 of Section 22, T17N, R17W.

Parcel 2

A parcel of land containing 4 acres of the West side of highway, said parcel of land being described as commencing 16 rods South of the Northwest corner of the NW 1/4 of the SW 1/4 of Section 22, T17N, R17W, running thence South 64 rods, thence NE'ly and N'ly and NW'ly along the W'ly line of said highway to the place of beginning, together with any and all right, title, and interest of Howard C. Wicklund and Katherine E. Wicklund in and to that portion of the hereinbefore mentioned highway lying adjacent to the E'ly line of said above described land.

MECOSTA COUNTY

Certain land in Wheatland Township, Mecosta County, Michigan described as:

A parcel of land in the SW 1/4 of the SW 1/4 of Section 16, T14N, R7W, described as beginning at the Southwest corner of said section; thence East along the South line of Section 133 feet; thence North parallel to the West section line 133 feet; thence West 133 feet to the West line of said Section; thence South 133 feet to the place of beginning.

MIDLAND COUNTY

Certain land in Ingersoll Township, Midland County, Michigan described as:

The West 200 feet of the W 1/2 of the NE 1/4 of Section 4, T13N, R2E.

MISSAUKEE COUNTY

Certain land in Norwich Township, Missaukee County, Michigan described as:

A parcel of land in the NW 1/4 of the NW 1/4 of Section 16, T24N, R6W, described as follows: Commencing at the Northwest corner of said section, running thence N 89 degrees 01' 45" E along the North line of said section 233.00 feet; thence South 233.00 feet; thence S 89 degrees 01' 45" W, 233.00 feet to the West line of said section; thence North along said West line of said section 233.00 feet to the place of beginning. (Bearings are based on the West line of Section 16, T24N, R6W, between the Southwest and Northwest corners of said section assumed as North.)

MONROE COUNTY

Certain land in Whiteford Township, Monroe County, Michigan described as:

A parcel of land in the SW1/4 of Section 20, T8S, R6E, described as follows: To find the place of beginning of this description commence at the S 1/4 post of said section; run thence West along the South line of said section 1269.89 feet to the place of beginning of this description; thence continuing West along said South line of said section 100 feet; thence N 00 degrees 50' 35" E, 250 feet; thence East 100 feet; thence S 00 degrees 50' 35" W parallel with and 16.5 feet distant W'ly of as measured perpendicular to the West 1/8 line of said section, as occupied, a distance of 250 feet to the place of beginning.

MONTCALM COUNTY

Certain land in Crystal Township, Montcalm County, Michigan described as:

The N 1/2 of the S 1/2 of the SE 1/4 of Section 35, T10N, R5W.

MONTMORENCY COUNTY

Certain land in the Village of Hillman, Montmorency County, Michigan described as:

Lot 14 of Hillman Industrial Park, being a subdivision in the South 1/2 of the Northwest 1/4 of Section 24, T31N, R4E, according to the plat thereof recorded in Liber 4 of Plats on Pages 32-34, Montmorency County Records.

MUSKEGON COUNTY

Certain land in Casnovia Township, Muskegon County, Michigan described as:

The West 433 feet of the North 180 feet of the South 425 feet of the SW 1/4 of Section 3, T10N, R13W.

NEWAYGO COUNTY

Certain land in Ashland Township, Newaygo County, Michigan described as:

The West 250 feet of the NE 1/4 of Section 23, T11N, R13W.

OAKLAND COUNTY

Certain land in Wixcom City, Oakland County, Michigan described as:

The E 75 feet of the N 160 feet of the N 330 feet of the W 526.84 feet of the NW 1/4 of the NW 1/4 of Section 8, T1N, R8E, more particularly described as follows: Commence at the NW corner of said Section 8, thence N 87 degrees 14' 29" E along the North line of said Section 8 a distance of 451.84 feet to the place

of beginning for this description; thence continuing N 87 degrees 14' 29" E along said North section line a distance of 75.0 feet to the East line of the West 526.84 feet of the NW 1/4 of the NW 1/4 of said Section 8; thence S 02 degrees 37' 09" E along said East line a distance of 160.0 feet; thence S 87 degrees 14' 29" W a distance of 75.0 feet; thence N 02 degrees 37' 09" W a distance of 160.0 feet to the place of beginning.

OCEANA COUNTY

Certain land in Crystal Township, Oceana County, Michigan described as:

The East 290 feet of the SE 1/4 of the NW 1/4 and the East 290 feet of the NE 1/4 of the SW 1/4, all in Section 20, T16N, R16W.

OGEMAW COUNTY

Certain land in West Branch Township, Ogemaw County, Michigan described as:

The South 660 feet of the East 660 feet of the NE 1/4 of the NE 1/4 of Section 33, T22N, R2E.

OSCEOLA COUNTY

Certain land in Hersey Township, Osceola County, Michigan described as:

A parcel of land in the North 1/2 of the Northeast 1/4 of Section 13, T17N, R9W, described as commencing at the Northeast corner of said Section; thence West along the North Section line 999 feet to the point of beginning of this description; thence S 01 degrees 54' 20" E 1327.12 feet to the North 1/8 line; thence S 89 degrees 17' 05" W along the North 1/8 line 330.89 feet; thence N 01 degrees 54' 20" W 1331.26 feet to the North Section line; thence East along the North Section line 331 feet to the point of beginning.

OSCODA COUNTY

Certain land in Comins Township, Oscoda County, Michigan described as:

The East 400 feet of the South 580 feet of the W 1/2 of the SW 1/4 of Section 15, T27N, R3E.

OTSEGO COUNTY

Certain land in Corwith Township, Otsego County, Michigan described as:

Part of the NW 1/4 of the NE 1/4 of Section 28, T32N, R3W, described as: Beginning at the N 1/4 corner of said section; running thence S 89 degrees 04' 06" E along the North line of said section, 330.00 feet; thence S 00 degrees 28' 43" E, 400.00 feet; thence N 89 degrees 04' 06" W, 330.00 feet to the North and

South 1/4 line of said section; thence N 00 degrees 28' 43" W along the said North and South 1/4 line of said section, 400.00 feet to the point of beginning; subject to the use of the N'ly 33.00 feet thereof for highway purposes.

OTTAWA COUNTY

Certain land in Robinson Township, Ottawa County, Michigan described as:

The North 660 feet of the West 660 feet of the NE 1/4 of the NW 1/4 of Section 26, T7N, R15W.

PRESQUE ISLE COUNTY

Certain land in Belknap and Pulawski Townships, Presque Isle County, Michigan described as:

Part of the South half of the Northeast quarter, Section 24, T34N, R5E, and part of the Northwest quarter, Section 19, T34N, R6E, more fully described as: Commencing at the East 1/4 corner of said Section 24; thence N 00 degrees15'47" E, 507.42 feet, along the East line of said Section 24 to the point of beginning; thence S 88 degrees15'36" W, 400.00 feet, parallel with the North 1/8 line of said Section 24; thence N 00 degrees15'47" E, 800.00 feet, parallel with said East line of Section 24; thence N 88 degrees15'36"E, 800.00 feet, along said North 1/8 line of Section 24 and said line extended; thence S 00 degrees15'47" W, 800.00 feet, parallel with said East line of Section 24; thence S 88 degrees15'36" W, 400.00 feet, parallel with said North 1/8 line of Section 24 to the point of beginning.

Together with a 33 foot easement along the West 33 feet of the Northwest quarter lying North of the North 1/8 line of Section 24, Belknap Township, extended, in Section 19, T34N, R6E.

ROSCOMMON COUNTY

Certain land in Gerrish Township, Roscommon County, Michigan described as:

A parcel of land in the NW 1/4 of Section 19, T24N, R3W, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section, run thence East along the North line of said section 1,163.2 feet to the place of beginning of this description (said point also being the place of intersection of the West 1/8 line of said section with the North line of said section), thence S 01 degrees 01' E along said West 1/8 line 132 feet, thence West parallel with the North line of said section 132 feet, thence N 01 degrees 01' W parallel with said West 1/8 line of said section 132 feet to the North line of said section, thence East along the North line of said section 132 feet to the place of beginning.

SAGINAW COUNTY

Certain land in Chapin Township, Saginaw County, Michigan described as:

A parcel of land in the SW 1/4 of Section 13, T9N, R1E, described as follows: To find the place of beginning of this description commence at the Southwest corner of said section; run thence North along the West line of said section 1581.4 feet to the place of beginning of this description; thence continuing North along said West line of said section 230 feet to the center line of a creek; thence S 70 degrees 07' 00" E along said center line of said creek 196.78 feet; thence South 163.13 feet; thence West 185 feet to the West line of said section and the place of beginning.

SANILAC COUNTY

Certain easement rights located across land in Minden Township, Sanilac County, Michigan described as:

The Southeast 1/4 of the Southeast 1/4 of Section 1, T14N, R14E, excepting therefrom the South 83 feet of the East 83 feet thereof.

SHIAWASSEE COUNTY

Certain land in Burns Township, Shiawassee County, Michigan described as:

The South 330 feet of the E 1/2 of the NE 1/4 of Section 36, T5N, R4E.

ST. CLAIR COUNTY

Certain land in Ira Township, St. Clair County, Michigan described as:

The N 1/2 of the NW 1/4 of the NE 1/4 of Section 6, T3N, R15E.

ST. JOSEPH COUNTY

Certain land in Mendon Township, St. Joseph County, Michigan described as:

The North 660 feet of the West 660 feet of the NW 1/4 of SW 1/4, Section 35, T5S, R10W.

TUSCOLA COUNTY

Certain land in Millington Township, Tuscola County, Michigan described as:

A strip of land 280 feet wide across the East 96 rods of the South 20 rods of the N 1/2 of the SE 1/4 of Section 34, T10N, R8E, more particularly described as commencing at the Northeast corner of Section 3, T9N, R8E, thence S 89 degrees 55' 35" W along the South line of said Section 34 a distance of 329.65 feet, thence N 18 degrees 11' 50" W a distance of 1398.67 feet to the South 1/8

line of said Section 34 and the place of beginning for this description; thence continuing N 18 degrees 11' 50" W a distance of 349.91 feet; thence N 89 degrees 57' 01" W a distance of 294.80 feet; thence S 18 degrees 11' 50" E a distance of 350.04 feet to the South 1/8 line of said Section 34; thence S 89 degrees 58' 29" E along the South 1/8 line of said section a distance of 294.76 feet to the place of beginning.

VAN BUREN COUNTY

Certain land in Covert Township, Van Buren County, Michigan described as:

All that part of the West 20 acres of the N 1/2 of the NE fractional 1/4 of Section 1, T2S, R17W, except the West 17 rods of the North 80 rods, being more particularly described as follows: To find the place of beginning of this description commence at the N 1/4 post of said section; run thence N 89 degrees 29' 20" E along the North line of said section 280.5 feet to the place of beginning of this description; thence continuing N 89 degrees 29' 20" E along said North line of said section 288.29 feet; thence S 00 degrees 44' 00" E, 1531.92 feet; thence S 89 degrees 33' 30" W, 568.79 feet to the North and South 1/4 line of said section; thence N 00 degrees 44' 00" W along said North and South 1/4 line of said section 211.4 feet; thence N 89 degrees 29' 20" E, 280.5 feet; thence N 00 degrees 44' 00" W, 1320 feet to the North line of said section and the place of beginning.

WASHTENAW COUNTY

Certain land in Manchester Township, Washtenaw County, Michigan described as:

A parcel of land in the NE 1/4 of the NW 1/4 of Section 1, T4S, R3E, described as follows: To find the place of beginning of this description commence at the Northwest corner of said section; run thence East along the North line of said section 1355.07 feet to the West 1/8 line of said section; thence S 00 degrees 22' 20" E along said West 1/8 line of said section 927.66 feet to the place of beginning of this description; thence continuing S 00 degrees 22' 20" E along said West 1/8 line of said section 660 feet to the North 1/8 line of said section; thence N 86 degrees 36' 57" E along said North 1/8 line of said section 660.91 feet; thence N 00 degrees22' 20" W, 660 feet; thence S 86 degrees 36' 57" W, 660.91 feet to the place of beginning.

WAYNE COUNTY

Certain land in Livonia City, Wayne County, Michigan described as:

Commencing at the Southeast corner of Section 6, T1S, R9E; thence North along the East line of Section 6 a distance of 253 feet to the point of beginning; thence continuing North along the East line of Section 6 a distance of 50 feet; thence Westerly parallel to the South line of Section 6, a distance of 215 feet; thence Southerly parallel to the East line of Section 6 a distance of 50 feet;

thence easterly parallel with the South line of Section 6 a distance of 215 feet to the point of beginning.

WEXFORD COUNTY

Certain land in Selma Township, Wexford County, Michigan described as:

A parcel of land in the NW 1/4 of Section 7, T22N, R10W, described as beginning on the North line of said section at a point 200 feet East of the West line of said section, running thence East along said North section line 450 feet, thence South parallel with said West section line 350 feet, thence West parallel with said North section line 450 feet, thence North parallel with said West section line 350 feet to the place of beginning.

SECTION 12. The Company is a transmitting utility under Section 9501(2) of the Michigan Uniform Commercial Code (M.C.L. 440.9501(2)) as defined in M.C.L. 440.9102(1)(aaaa).

IN WITNESS WHEREOF, said Consumers Energy Company has caused this Supplemental Indenture to be executed in its corporate name by its Chairman of the Board, President, a Vice President or its Treasurer and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and said JPMorgan Chase Bank, as Trustee as aforesaid, to evidence its acceptance hereof, has caused this Supplemental Indenture to be executed in its corporate name by a Vice President and its corporate seal to be hereunto affixed and to be attested by a Trust Officer, in several counterparts, all as of the day and year first above written.

CONSUMERS ENERGY COMPANY

(SEAL)

By

Paul A. Stadnikia
Treasurer

Attest:

- ----------------------------
Joyce H. Norkey
Assistant Secretary

Signed, sealed and delivered
by CONSUMERS ENERGY COMPANY
in the presence of

- ----------------------------
Kimberly C. Wilson

- ----------------------------
Sammie B. Dalton

STATE OF MICHIGAN)
ss.
COUNTY OF JACKSON)

The foregoing instrument was acknowledged before me this 28th day of March, 2003, by Paul A. Stadnikia, Treasurer of CONSUMERS ENERGY COMPANY, a Michigan corporation, on behalf of the corporation.

Margaret Hillman, Notary Public
Jackson County, Michigan
My Commission Expires: June 14, 2004

[Seal]

JPMORGAN CHASE BANK, AS TRUSTEE

(SEAL) By

L. O'Brien
Vice President

Attest:

- ------------------

Rosa Ciaccia
Trust Officer

Signed, sealed and delivered
by JPMORGAN CHASE BANK
in the presence of

- ---------------------------

James D. Heaney
Vice President

- ---------------------------

William G. Keenan
Vice President

STATE OF NEW YORK)
ss.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 28th day of March, 2003, by L. O'Brien, a Vice President of JPMORGAN CHASE BANK, a New York corporation, on behalf of the corporation.

Notary Public

[Seal]

New York County, New York
My Commission Expires:

Prepared by:
Kimberly C. Wilson
212 West Michigan Avenue
Jackson, MI 49201

When recorded, return to:
Consumers Energy Company
Business Services Real Estate Dept.
Attn: Nancy Fisher EP7-439
One Energy Plaza
Jackson, MI 49201

EXHIBIT B-1

REQUIRED OPINIONS FROM

MICHAEL D. VANHEMERT, ESQ.

1. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Michigan.

2. The execution and delivery of the Loan Documents by the Company and the performance by the Company of the Obligations have been duly authorized by all necessary corporate action and proceedings on the part of the Company and will not:

(a) contravene the Company's Restated Articles of Incorporation, as amended, or bylaws;

(b) contravene any law or any contractual restriction imposed by any indenture or any other agreement or instrument evidencing or governing indebtedness for borrowed money of the Company; or

(c) result in or require the creation of any Lien upon or with respect to any of the Company's properties except the lien of the Indenture securing the Bonds.

3. The Loan Documents have been duly executed and delivered by the Company.

4. To the best of my knowledge, there is no pending or threatened action or proceeding against the Company or any of its Consolidated Subsidiaries before any court, governmental agency or arbitrator (except (i) to the extent described in the Company's annual report on Form 10-K/A for the year ended December 31, 2001, quarterly report on Form 10-Q/A for the quarter ended September 30, 2002, and current reports on Form 8-K filed by the Company on May 29, 2002, July 30, 2002 and September 8, 2002, in each case as filed with the SEC, and (ii) such other similar actions, suits and proceedings predicated on the occurrence of the same events giving rise to any actions, suits and proceedings described in the reports filed with the SEC set forth in clause (i) of this paragraph 4) which might reasonably be expected to materially adversely affect the financial condition or results of operations of the Company and its Consolidated Subsidiaries, taken as a whole, or that would materially adversely affect the Company's ability to perform its obligations under any Loan Document. To the best of my knowledge, there is no litigation challenging the validity or the enforceability of any of the Loan Documents.

5. No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Company of any Loan Document, except for the authorization to issue, sell or guarantee secured and/or unsecured long-term debt granted by the Federal Energy Regulatory Commission in Docket No. ES02-36-001 (hereinafter the "FERC Order"). The FERC Order is in full force and effect as of the date hereof.

6. The Bonds, assuming due authentication in accordance with the terms of the Indenture, are in due and proper form and, when delivered to the Agent pursuant to the Bond Delivery Agreement, will evidence and secure the Obligations owing under the Agreement and will be valid and enforceable obligations of the Company in accordance with their terms, secured by the lien of the Indenture on an equal and ratable basis with all other bonds issued thereunder and otherwise entitled to the benefits provided by the Indenture.

7. The Indenture has been qualified under the Trust Indenture Act of 1939, as amended, and the execution and delivery of the Supplemental Indenture will not cause the Indenture to not be so qualified.

8. The Company is not an "investment company" or a company "controlled" by an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.

9. The Company (i) is a "public utility" and a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended (the "Holding Company Act"), and (ii) is currently exempt from all provisions of the Holding Company Act, except Section 9(a)(2) thereof.

10. In a properly presented case, a Michigan court or a federal court applying Michigan choice of law rules should give effect to the choice of law provisions of the Agreement and should hold that the Agreement is to be governed by the laws of the State of New York rather than the laws of the State of Michigan, except in the case of those provisions set forth in the Agreement the enforcement of which would contravene a fundamental policy of the State of Michigan. In the course of our review of the Agreement, nothing has come to my attention to indicate that any of such provisions would do so. Notwithstanding the foregoing, even if a Michigan court or a federal court holds that the Agreement is to be governed by the laws of the State of Michigan, the Agreement constitutes a legal, valid and binding obligation of the Company, enforceable under Michigan law (including usury provisions) against the Company in accordance with its terms, subject to (a) the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

EXHIBIT B-2

REQUIRED OPINIONS FROM

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1. The Agreement constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, subject to (a) the effect of applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) the application of general principles of equity (regardless of whether considered in a preceding in equity or at law).

EXHIBIT B-3

REQUIRED OPINIONS FROM

MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.

1. The Bonds, assuming due authentication in accordance with the terms of the Indenture, are in due and proper form and, when delivered to the Agent pursuant to the Bond Delivery Agreement, will evidence and secure the Obligations owing under the Agreement and will be valid and enforceable obligations of the Company in accordance with their terms, secured by the lien of the Indenture on an equal and ratable basis with all other bonds issued thereunder and otherwise entitled to the benefits provided by the Indenture.

EXHIBIT C

FORM OF COMPLIANCE CERTIFICATE

I, ___________, _________ of Consumers Energy Company, a Michigan corporation (the "Company"), DO HEREBY CERTIFY in connection with the Term Loan Agreement dated as of March 28, 2003 (the "Loan Agreement"; the terms defined therein being used herein as so defined) among the Company, various financial institutions and Citicorp North America, Inc., as Agent, that;

I. Section 8.1 of the Loan Agreement provides that the Company shall: "At all times, maintain a ratio of Total Consolidated Debt to Total Consolidated Capitalization of not greater than 0.65 to 1.0."

The following calculations are made in accordance with the definitions of Total Consolidated Debt and Total Consolidated Capitalization in the Loan Agreement and are correct and accurate as of ________, __:

A. Total Consolidated Debt

	(a)	Indebtedness for borrowed money	$
plus	(b)	Indebtedness for deferred purchase price of property/services	
plus	(c)	Unfunded Vested Liabilities	
plus	(d)	Obligations under acceptance facilities	
plus	(e)	Obligations under Capital Leases	
plus	(f)	Obligations under interest rate swap, "cap", "collar" or other hedging agreement	
minus	(g)	Guaranties, endorsements and other contingent obligations	
minus	(h)	Principal amount of any Securitized Bonds	
minus	(i)	Junior Subordinated Debt owned by any Hybrid Preferred Securities Subsidiary	
minus	(j)	Subordinated guaranties by the Company of payments with respect to	

		Hybrid Preferred Securities	
		Hybrid Preferred Securities	
minus	(k)	Agreed upon percentage of Net Proceeds from issuance of hybrid debt/equity securities (other than Junior Subordinated Debt and Hybrid Preferred Securities	________________
		Total	$

B.	Total Consolidated Capitalization:	
(a)	Total Consolidated Debt	$
(b)	Equity of common stockholders	
(c)	Equity of preference stockholders	
(d)	Equity of preferred stockholders	________________
	Total	$
C.	Debt to Capital Ratio (total of A divided by total of B)	___ to 1.00

II. Section 8.2 of the Loan Agreement provides that the Company shall: "Not permit the ratio, determined as of the end of each of its fiscal quarters for the then most-recently ended four fiscal quarters, of (i) Consolidated EBIT to (ii) Consolidated Interest Expense to be less than 2.0 to 1.0"

The following calculations are made in accordance with the definitions of Consolidated EBIT and Consolidated Interest Expense in the Loan Agreement and are correct and accurate as of ___________, __:

A. Consolidated EBIT

	(a)	Consolidated Net Income	$
plus	(b)	Consolidated Interest Expense	$
plus	(c)	Expense for taxes paid or accrued	$
plus	(d)	Non-cash write-offs and write-downs contained in the Company's	$

		Consolidated Net Income, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts	
plus	(e)	The pre-tax under recovery arising from the loss on Power Purchase Agreement - MCV Partnership	$
minus	(f)	Extraordinary gains realized other than in the ordinary course of business	$ ________________
		Total	$
B.	Consolidated Interest Expense		$
C.	Interest Coverage Ratio (total of A divided by total of B)		___ to 1.00

IN WITNESS WHEREOF, I have signed this Certificate this __ day of _________, ____.

EXHIBIT D

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor], (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Loan Agreement identified below (as amended, the "Loan Agreement "), receipt of a copy of which is hereby acknowledged by the Assignee. The Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Loan Agreement, as of the Effective Date inserted by the Agent as contemplated below, the interest in and to all of the Assignor's rights and obligations in its capacity as a Bank under the Loan Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor's outstanding rights and obligations under the respective facilities identified below (including without limitation, to the extent permitted to be assigned under applicable law, all claims (including without limitation contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity), suits, causes of action and any other right of the Assignor against any Person whether known or unknown arising under or in connection with the Loan Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby) (the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1 Assignor: ________________________

2. Assignee: ________________________ [and is an affiliate of Assignor]

3 Borrower: CONSUMERS ENERGY COMPANY

4. Agent: Citicorp North America, Inc., as the Agent under the Loan Agreement.

5. Loan Agreement: The Term Loan Agreement dated as of March 28, 2003 among Consumers Energy Company, the Banks party thereto, and Citicorp North America, Inc., as Agent.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Outstanding Term Loans for all Banks** ?	Amount of Outstanding Term Loans Assigned*	Percentage Assigned of Outstanding Term Loans(1)
Term Loans	$______________	$________________	_______%

7. Trade Date: _______________________________________

Effective Date: _____________, 20__ [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER BY THE AGENT](2)

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By:______________________________
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By:______________________________
Title:

[Consented to and (3)] Accepted:

CITICORP NORTH AMERICA, INC., as Agent

By:_________________
Title:

- ----------------------------

* Amount to be adjusted by the counter parties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

(1)Set forth, to at least 9 decimals, as a percentage of the Term Loans of all Banks hereunder.

(2)Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.

(3)To be added only if the consent of the Agent is required by the terms of the Loan Agreement.

ANNEX 1
TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1. Assignor. The Assignor represents and warrants that(i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby. Neither the Assignor nor any of its officers, directors, employees, agents or attorneys shall be responsible for (i) any statements, warranties or representations made in or in connection with the Loan Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency, perfection, priority, collectibility, or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Company, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document, (iv) the performance or observance by the Company, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document, (v) inspecting any of the property, books or records of the Company, or any guarantor, or (vi) any mistake, error of judgment, or action taken or omitted to be taken in connection with the Term Loans or the Loan Documents.

1.2. Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Bank under the Loan Agreement, (ii) from and after the Effective Date, it shall be bound by the provisions of the Loan Agreement as a Bank thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Bank thereunder, (iii) its payment instructions and notice instructions are delivered with this Assignment and Assumption, (iv) none of the funds, monies, assets or other consideration being used to make the purchase and assumption hereunder are "plan assets" as defined under ERISA and that its rights, benefits and interests in and under the Loan Documents will not be "plan assets" under ERISA, (v) it shall indemnify and hold the Assignor harmless against all losses, costs and expenses (including, without limitation, reasonable attorneys' fees) and liabilities incurred by the Assignor in connection with or arising in any manner from the Assignee's non-performance of the obligations assumed under this Assignment and Assumption, (vi) it has received a copy of the Loan Agreement, together with copies of financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Agent or any other Bank, and (vii) together with this Assignment and Assumption is any documentation required to be delivered by the Assignee with respect to its tax status pursuant to the terms of the Loan Agreement, duly completed and executed by the Assignee and (b) agrees that (i) it will, independently and without reliance on the Agent, the Assignor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will

perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Bank.

2. Payments. The Assignee shall pay the Assignor, on the Effective Date, the amount agreed to by the Assignor and the Assignee. From and after the Effective Date, the Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

SCHEDULE 1

ADMINISTRATIVE DETAILS FORM

DEAL NAME: CONSUMERS ENERGY COMPANY

GENERAL INFORMATION

YOUR INSTITUTIONS LEGAL NAME:

TAX WITHHOLDING:

Note: To avoid the potential of having interest income withheld, all investors must deliver all current and appropriate tax forms.
Tax ID #: _________________

SUB-ALLOCATION: (United States only)

Note: If your institution is sub-allocating its allocation, please fill out the information below. Additionally, an administrative detail form is required for each legal entity. Execution copies (e.g. Credit Agreement/Assignment Agreement) will be sent for signature to the Sub-Allocation Contact below.

Sub-Allocated Amount: $ ______________________

Signing Credit Agreement? [ ] Yes [ ] No
Coming In Via Assignment? [ ] Yes [ ] No

SUB-ALLOCATION CONTACT:

NAME:

Address: ___________________________________ E- mail: ___________
____
City: _______________ State: ___________ Phone #: ___________
Postal Code: _______________ Country:___________ Fax #: ___________

CONTACT LIST

BUSINESS/CREDIT MATTERS: (Responsible for trading and credit approval process of the deal)

Primary:

NAME:

Address: ___________________________________ E- mail: ___________
____
City: _______________ State: ___________ Phone #: ___________
Postal Code: _______________ Country:___________ Fax #: ___________

Backup:

NAME:

Address: ___________________________________ E- mail: ___________
____
City: _______________ State: ___________ Phone #: ___________
Postal Code: _______________ Country:___________ Fax #: ___________

- ---

Admin Details can be submitted online, via Citigroup's Global Loans Web Site. Send an e- mail to oploanswebadmin@ssmb.com with your contact information and the deal name to request a user ID/password to submit/modify Admin Details online.

ADMINISTRATIVE DETAILS FORM

ADMIN/OPERATIONS MATTERS: (Responsible for interest, fee, principal payment, borrowing & pay-downs)

Primary:

NAME:

Address: ________________________________ E- mail: __________
____
City: ______________ State: __________ Phone #: __________
Postal Code: ______________ Country:__________ Fax #: __________

Backup:

NAME:

Address: ________________________________ E- mail: __________
____
City: ______________ State: __________ Phone #: __________
Postal Code: ______________ Country:__________ Fax #: __________

CLOSING CONTACT: (Responsible for Deal Closing matters)

NAME:

Address: ________________________________ E- mail: __________
____
City: ______________ State: __________ Phone #: __________
Postal Code: ______________ Country:__________ Fax #: __________

DISCLOSURE CONTACT: (Receives disclosure materials, such as financial reports, via our web site)

NAME:

Address: ________________________________ E- mail: __________
____
City: ______________ State: __________ Phone #: __________
Postal Code: ______________ Country:__________ Fax #: __________

Admin Details can be submitted online, via Citigroup's Global Loans Web Site. Send an e- mail to oploanswebadmin@ssmb.com with your contact information and the deal name to request a user ID/password to submit/modify Admin Details online.

ADMINISTRATIVE DETAILS FORM

ROUTING INSTRUCTIONS

ROUTING INSTRUCTIONS FOR THIS DEAL:

City: _____ State: ________		ACCOUNT NAME:	____________
Postal Code: _______		ACCOUNT#:	____________
Payment Type:		BENEF. ACCT. NAME:	____________
[ ]Fed	[ ]ABA [ ]CHIPS	BENEF. ACCT. #:	____________

ABA/CHIPS #:

REFERENCE: ________________________
Attention: ________________________

ADMINISTRATIVE AGENT INFORMATION

BANK LOANS SYNDICATION - AGENT CONTACT		AGENT WIRING INSTRUCTIONS
Name:	Jason Trala	
Telephone: Fax:	302-894-6086 302-894-6120	Citibank, NA ABA #: 021-00-0089 Acct Name: Agency
Address:	2 Penn's Way Suite 200 New Castle, De 19720	Medium Term Finance Acct #: 36852248

INITIAL FUNDING STANDARDS: LIBOR - Fund 2 days after rates are set.

Admin Details can be submitted online, via Citigroup's Global Loans Web Site. Send an e-mail to oploanswebadmin@ssmb.com with your contact information and the deal name to request a user ID/password to submit/modify Admin Details online.

EXHIBIT E

TERMS OF SUBORDINATION

[JUNIOR SUBORDINATED DEBT]

ARTICLE ___
SUBORDINATION

Section __.1. Applicability of Article; Securities Subordinated to Senior Indebtedness.

(a) This Article __ shall apply only to the Securities of any series which, pursuant to Section __, are expressly made subject to this Article. Such Securities are referred to in this Article __ as "Subordinated Securities."

(b) The Issuer covenants and agrees, and each Holder of Subordinated Securities by his acceptance thereof likewise covenants and agrees, that the indebtedness represented by the Subordinated Securities and the payment of the principal and interest, if any, on the Subordinated Securities is subordinated and subject in right, to the extent and in the manner provided in this Article, to the prior payment in full of all Senior Indebtedness.

"Senior Indebtedness" means the principal of and premium, if any, and interest on the following, whether outstanding on the date hereof or thereafter incurred, created or assumed: (i) indebtedness of the Issuer for money borrowed by the Issuer (including purchase money obligations) or evidenced by debentures (other than the Subordinated Securities), notes, bankers' acceptances or other corporate debt securities, or similar instruments issued by the Issuer; (ii) all capital lease obligations of the Issuer; (iii) all obligations of the Issuer issued or assumed as the deferred purchase price of property, all conditional sale obligations of the Issuer and all obligations of the Issuer under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business); (iv) obligations with respect to letters of credit; (v) all indebtedness of others of the type referred to in the preceding clauses (i) through (iv) assumed by or guaranteed in any manner by the Issuer or in effect guaranteed by the Issuer; (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Issuer (whether or not such obligation is assumed by the Issuer), except for (1) any such indebtedness that is by its terms subordinated to or pari passu with the Subordinated Notes, as the case may be, including all other debt securities and guaranties in respect of those debt securities, issued to any other trusts, partnerships or other entities affiliated with the Issuer which act as a financing vehicle of the Issuer in connection with the issuance of preferred securities by such entity or other securities which rank pari passu with, or junior to, the Preferred Securities, and (2) any indebtedness between or among the Issuer and its affiliates; and/or (vii) renewals, extensions or refundings of any of the indebtedness referred to in the preceding clauses unless, in the case of any particular indebtedness, renewal, extension or refunding, under the express provisions of the instrument creating or evidencing the same or the assumption or guarantee of the same, or pursuant to which the same is outstanding, such indebtedness or such renewal, extension or refunding thereof is not superior in right of payment to the Subordinated Securities.

This Article shall constitute a continuing obligation to all Persons who, in reliance upon such provisions become holders of, or continue to hold, Senior Indebtedness, and such provisions are made for the benefit of the holders of Senior Indebtedness, and such holders are made obligees hereunder and they and/or each of them may enforce such provisions.

Section __.2. Issuer Not to Make Payments with Respect to Subordinated Securities in Certain Circumstances.

(a) Upon the maturity of any Senior Indebtedness by lapse of time, acceleration or otherwise, all principal thereof and premium and interest thereon shall first be paid in full, or such payment duly provided for in cash in a manner satisfactory to the holders of such Senior Indebtedness, before any payment is made on account of the principal of, or interest on, Subordinated Securities or to acquire any Subordinated Securities or on account of any sinking fund provisions of any Subordinated Securities (except payments made in capital stock of the Issuer or in warrants, rights or options to purchase or acquire capital stock of the Issuer, sinking fund payments made in Subordinated Securities acquired by the Issuer before the maturity of such Senior Indebtedness, and payments made through the exchange of other debt obligations of the Issuer for such Subordinated Securities in accordance with the terms of such Subordinated Securities, provided that such debt obligations are subordinated to Senior Indebtedness at least to the extent that the Subordinated Securities for which they are exchanged are so subordinated pursuant to this Article __).

(b) Upon the happening and during the continuation of any default in payment of the principal of, or interest on, any Senior Indebtedness when the same becomes due and payable or in the event any judicial proceeding shall be pending with respect to any such default, then, unless and until such default shall have been cured or waived or shall have ceased to exist, no payment shall be made by the Issuer with respect to the principal of, or interest on, Subordinated Securities or to acquire any Subordinated Securities or on account of any sinking fund provisions of Subordinated Securities (except payments made in capital stock of the Issuer or in warrants, rights, or options to purchase or acquire capital stock of the Issuer, sinking fund payments made in Subordinated Securities acquired by the Issuer before such default and notice thereof, and payments made through the exchange of other debt obligations of the Issuer for such Subordinated Securities in accordance with the terms of such Subordinated Securities, provided that such debt obligations are subordinated to Senior Indebtedness at least to the extent that the Subordinated Securities for which they are exchanged are so subordinated pursuant to this Article __).

(c) In the event that, notwithstanding the provisions of this Section __.2, the Issuer shall make any payment to the Trustee on account of the principal of or interest on Subordinated Securities, or on account of any sinking fund provisions of such Securities, after the maturity of any Senior Indebtedness as described in Section __.2(a) above or after the happening of a default in payment of the principal of or interest on any Senior Indebtedness as described in Section __.2(b) above, then, unless and until all Senior Indebtedness which shall have matured, and all premium and interest thereon, shall have been paid in full (or the declaration of acceleration thereof shall have been rescinded or annulled), or such default shall have been cured or waived or shall have ceased to exist, such payment (subject to the provisions of Sections __.6 and __.7) shall be held by the Trustee, in trust for the benefit of, and shall be paid forthwith over and

delivered to, the holders of such Senior Indebtedness (pro rata as to each of such holders on the basis of the respective amounts of Senior Indebtedness held by them) or their representative or the trustee under the indenture or other agreement (if any) pursuant to which such Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all such Senior Indebtedness remaining unpaid to the extent necessary to pay the same in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness. The Issuer shall give prompt written notice to the Trustee of any default in the payment of principal of or interest on any Senior Indebtedness.

Section __.3. Subordinated Securities Subordinated to Prior Payment of All Senior Indebtedness on Dissolution. Liquidation or Reorganization of Issuer. Upon any distribution of assets of the Issuer in any dissolution, winding up, liquidation or reorganization of the Issuer (whether voluntary or involuntary, in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise):

(a) the holders of all Senior Indebtedness shall first be entitled to receive payments in full of the principal thereof and premium and interest due thereon, or provision shall be made for such payment, before the Holders of Subordinated Securities are entitled to receive any payment on account of the principal of or interest on such Securities;

(b) any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities (other than securities of the Issuer as reorganized or readjusted or securities of the Issuer or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Article __ with respect to Subordinated Securities, to the payment in full without diminution or modification by such plan of all Senior Indebtedness), to which the Holders of Subordinated Securities or the Trustee on behalf of the Holders of Subordinated Securities would be entitled except for the provisions of this Article __ shall be paid or delivered by the liquidating trustee or agent or other person making such payment or distribution directly to the holders of Senior Indebtedness or their representative, or to the trustee under any indenture under which Senior Indebtedness may have been issued (pro rata as to each such holder, representative or trustee on the basis of the respective amounts of unpaid Senior Indebtedness held or represented by each), to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid, after giving effect to any concurrent payment or distribution or provision thereof to the holders of such Senior Indebtedness; and

(c) in the event that notwithstanding the foregoing provisions of this Section __.3, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities (other than securities of the Issuer as reorganized or readjusted or securities of the Issuer or any other corporation provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in this Article __ with respect to Subordinated Securities, to the payment in full without diminution or modification by such plan of all Senior Indebtedness shall be received by the Trustee or the Holders of the Subordinated Securities on account of principal of or interest on the Subordinated Securities before all Senior Indebtedness is paid in full, or effective provision made for its payment, such payment or distribution (subject to the provisions of Section _.6 and _.7) shall be received and

held in trust for and shall be paid over to the holders of the Senior Indebtedness remaining unpaid or unprovided for or their representative, or to the trustee under any indenture under which such Senior Indebtedness may have been issued (pro rata as provided in subsection (b) above), for application to the payment of such Senior Indebtedness until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to the holders of such Senior Indebtedness,

The Issuer shall give prompt written notice to the Trustee of any dissolution, winding up, liquidation or reorganization of the Issuer.

The consolidation of the Issuer with, or the merger of the Issuer into, another corporation or the liquidation or dissolution of the Issuer following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article __ hereof shall not be deemed a dissolution, winding up, liquidation or reorganization for the purposes of this Section __.3 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated such in Article __.

Section __.4. Holders of Subordinated Securities to be Subrogated to Right of Holders of Senior Indebtedness. Subject to the payment in full of all Senior Indebtedness, the Holders of Subordinated Securities shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Issuer applicable to the Senior Indebtedness until all amounts owing on Subordinated Securities shall be paid in full, and for the purposes of such subrogation no payments or distributions to the holders of the Senior Indebtedness by or on behalf of the Issuer or by or on behalf of the Holders of Subordinated Securities by virtue of this Article __ which otherwise would have been made to the Holders of Subordinated Securities shall, as between the Issuer, its creditors other than holders of Senior Indebtedness and the Holders of Subordinated Securities, be deemed to be payment by the Issuer to or on account of the Senior Indebtedness, it being understood that the provisions of this Article __ are and are intended solely for the purpose of defining the relative rights of the Holders of the Subordinated Securities, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

Section __.5. Obligation of the Issuer Unconditional. Nothing contained in this Article __ or elsewhere in this Indenture or in any Subordinated Security is intended to or shall impair, as among the Issuer, its creditors other than holders of Senior Indebtedness and the Holders of Subordinated Securities, the obligation of the Issuer, which is absolute and unconditional, to pay to the Holders of Subordinated Securities the principal of, and interest on, Subordinated Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders of Subordinated Securities and creditors of the Issuer other than the holders of the Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or the Holder of any Subordinated Security from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article __ of the holders of Senior Indebtedness in respect of cash, property or securities of the Issuer received upon the exercise of any such remedy. Upon any payment or distribution of assets of the Issuer referred to in this Article __, the Trustee and Holders of Subordinated Securities shall be entitled to rely upon any order or decree made by any court of competent jurisdiction in which such dissolution, winding up, liquidation or

reorganization proceedings are pending, or, subject to the provisions of Section __ and __, a certificate of the receiver, trustee in bankruptcy, liquidating trustee or agent or other Person making such payment or distribution to the Trustee or the Holders of Subordinated Securities, for the purposes of ascertaining the Persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Issuer, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article __.

Nothing contained in this Article __ or elsewhere in this Indenture or in any Subordinated Security is intended to or shall affect the obligation of the Issuer to make, or prevent the Issuer from making, at any time except during the pendency of any dissolution, winding up, liquidation or reorganization proceeding, and, except as provided in subsections (a) and (b) of Section __.2, payments at any time of the principal of, or interest on, Subordinated Securities.

Section __.6. Trustee Entitled to Assume Payments Not Prohibited in Absence of Notice. The Issuer shall give prompt written notice to the Trustee of any fact known to the Issuer which would prohibit the making of any payment or distribution to or by the Trustee in respect of the Subordinated Securities. Notwithstanding the provisions of this Article __ or any provision of this Indenture, the Trustee shall not at any time be charged with knowledge of the existence of any facts which would prohibit the making of any payment or distribution to or by the Trustee, unless at least two Business Days prior to the making of any such payment, the Trustee shall have received written notice thereof from the Issuer or from one or more holders of Senior Indebtedness or from any representative thereof or from any trustee therefor, together with proof satisfactory to the Trustee of such holding of Senior Indebtedness or of the authority of such representative or trustee; and, prior to the receipt of any such written notice, the Trustee, subject to the provisions of Sections __ and __, shall be entitled to assume conclusively that no such facts exist. The Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself to be a holder of Senior Indebtedness (or a representative or trustee on behalf of the holder) to establish that such notice has been given by a holder of Senior Indebtedness (or a representative of or trustee on behalf of any such holder). In the event that the Trustee determines, in good faith, that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payments or distribution pursuant of this Article __, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, as to the extent to which such Person is entitled to participate in such payment or distribution, and as to other facts pertinent to the rights of such Person under this Article __, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment. The Trustee, however, shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and nothing in this Article __ shall apply to claims of, or payments to, the Trustee under or pursuant to Section __.

Section __.7. Application by Trustee of Monies or Government Obligations Deposited with It. Money or Government Obligations deposited in trust with the Trustee pursuant to and in accordance with Section __ shall be for the sole benefit of Securityholders and, to the extent allocated for the payment of Subordinated Securities, shall not be subject to the subordination provisions of this Article __, if the same are deposited in trust prior to the happening of any

event specified in Section __.2. Otherwise, any deposit of monies or Government Obligations by the Issuer with the Trustee or any paying agent (whether or not in trust) for the payment of the principal of, or interest on, any Subordinated Securities shall be subject to the provisions of Section __.1, __.2 and __.3 except that, if prior to the date on which by the terms of this Indenture any such monies may become payable for any purposes (including, without limitation, the payment of the principal of, or the interest, if any, on any Subordinated Security) the Trustee shall not have received with respect to such monies the notice provided for in Section __.6, then the Trustee or the paying agent shall have full power and authority to receive such monies and Government Obligations and to apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary which may be received by it on or after such date. This Section __.7 shall be construed solely for the benefit of the Trustee and paying agent and, as to the first sentence hereof, the Securityholders, and shall not otherwise effect the rights of holders of Senior Indebtedness.

Section __.8. Subordination Rights Not Impaired by Acts or Omissions of Issuer or Holders of Senior Indebtedness. No rights of any present or future holders of any Senior Indebtedness to enforce subordination as provided herein shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Issuer or by any act or failure to act, in good faith, by any such holders or by any noncompliance by the Issuer with the terms of this Indenture, regardless of any knowledge thereof which any such holder may have or be otherwise charged with.

Without in any way limiting the generality of the foregoing paragraph, the holders of Senior Indebtedness of the Issuer may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Subordinated Securities, without incurring responsibility to the Holders of the Subordinated Securities and without impairing or releasing the subordination provided in this Article __ or the obligations hereunder of the Holders of the Subordinated Securities to the holders of such Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, such Senior Indebtedness, or otherwise amend or supplement in any manner such Senior Indebtedness or any instrument evidencing the same or any agreement under which such Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing such Senior Indebtedness; (iii) release any Person liable in any manner for the collection for such Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Issuer, as the case may be, and any other Person.

Section __.9. Securityholders Authorize Trustee to Effectuate Subordination of Securities. Each Holder of Subordinated Securities by his acceptance thereof authorizes and expressly directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination provided in this Article __ and appoints the Trustee his attorney-in-fact for such purpose, including in the event of any dissolution, winding up, liquidation or reorganization of the Issuer (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise) the immediate filing of a claim for the unpaid balance of his Subordinated Securities in the form required in said proceedings and causing said claim to be approved. If the Trustee does not file a proper claim or proof of debt in the form required in such proceeding prior to 30 days before the expiration of the time to file

such claim or claims, then the holders of Senior Indebtedness have the right to file and are hereby authorized to file an appropriate claim for and on behalf of the Holders of said Securities.

Section __.10. Right of Trustee to Hold Senior Indebtedness. The Trustee in its individual capacity shall be entitled to all of the rights set forth in this Article __ in respect of any Senior Indebtedness at any time held by it to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall be construed to deprive the Trustee of any of its rights as such holder.

With respect to the holders of Senior Indebtedness of the Issuer, the Trustee undertakes to perform or to observe only such of its covenants and obligations as are specifically set forth in this Article __, and no implied covenants or obligations with respect to the holders of such Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of such Senior Indebtedness and, subject to the provisions of Sections __.2 and __.3, the Trustee shall not be liable to any holder of such Senior Indebtedness if it shall pay over or deliver to Holders of Subordinated Securities, the Issuer or any other Person money or assets to which any holder of such Senior Indebtedness shall be entitled by virtue of this Article __ or otherwise.

Section __.11. Article Not to Prevent Events of Defaults. The failure to make a payment on account of principal or interest by reason of any provision in this Article __ shall not be construed as preventing the occurrence of an Event of Default under Section ____.

EXHIBIT F

TERMS OF SUBORDINATION

[GUARANTY OF HYBRID PREFERRED SECURITIES]

SECTION __. This Guarantee will constitute an unsecured obligation of the Guarantor and will rank subordinate and junior in right of payment to all other liabilities of the Guarantor and pari passu with any guarantee now or hereafter entered into by the Guarantor in respect of the securities representing common beneficial interests in the assets of the Issuer or of any preferred or preference stock of any affiliate of the Guarantor.

EXHIBIT G

FORM OF BOND DELIVERY AGREEMENT

BOND DELIVERY AGREEMENT

CONSUMERS ENERGY COMPANY

TO

CITICORP NORTH AMERICA, INC., AS AGENT

Dated as of March 28, 2003

Relating to
First Mortgage Bonds, Collateral Series due March 28, 2006

THIS BOND DELIVERY AGREEMENT (this "Agreement"), dated as of March 28, 2003, is between Consumers Energy Company (the "Company"), and Citicorp North America, Inc., as agent (the "Agent") under the Term Loan Agreement (as amended, supplemented or otherwise modified from time to time, the "Loan Agreement") dated as of March 28, 2003, among the Company, the financial institutions parties thereto (the "Banks"), and the Agent. Capitalized terms used but not otherwise defined herein have the respective meanings assigned to such terms in the Loan Agreement.

Whereas, the Company has established its First Mortgage Bonds, Collateral Series due 2006, in the aggregate principal amount of $150,000,000 (the "Bonds"), to be issued under and in accordance with the Eighty-Ninth Supplemental Indenture dated as of March 28, 2003 (the "Supplemental Indenture"), to the Indenture of the Company to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) dated as of September 1, 1945 (as amended and supplemented, the "Indenture"); and

Whereas, the Company proposes to issue and deliver to the Agent, for the benefit of the Banks, the Bonds in order to provide the Bonds as evidence of (and the benefit of the lien of the Indenture with respect to the Bonds for) the Obligations of the Company arising under the Loan Agreement;

Now, therefore, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Company and the Agent hereby agree as follows:

ARTICLE I
THE BONDS

Section 1.1 Delivery of Bonds.

In order to provide the Bonds as evidence of (and through the Bonds the benefit of the Lien of the Indenture for) the Obligations of the Company under the Loan Agreement as aforesaid, the Company hereby delivers to the Agent the Bonds in the aggregate principal amount of $150,000,000, maturing on March 28, 2006 and bearing interest as provided in the Supplemental Indenture. The obligation of the Company to pay the principal of and interest on the Bonds shall be deemed to have been satisfied and discharged in full or in part, as the case may be, to the extent of payment by the Company of the Obligations, all as set forth in the Bonds and in Section 1 of the Supplemental Indenture.

The Bonds are registered in the name of the Agent and shall be owned and held by the Agent, subject to the provisions of this Agreement, for the benefit of the Banks, and the Company shall have no interest therein. The Agent shall be entitled to exercise all rights of bondholders under the Indenture with respect to the Bonds.

Section 1.2 Payments on the Bonds.

Any payments received by the Agent on account of the principal of or interest on the Bonds shall be deemed to be and treated in all respects as payments of the Obligations, and such payments shall be distributed by the Agent to the Banks in accordance with the provisions of the

Loan Agreement applicable to payments received by the Agent in respect of the Obligations (and the Company hereby consents to such distributions).

ARTICLE II
NO TRANSFER OF BONDS; SURRENDER OF BONDS

Section 2.1 No Transfer of the Bonds.

The Agent shall not sell, assign or otherwise transfer any Bonds delivered to it under this Agreement except to a successor administrative agent under the Loan Agreement. The Company may take such actions as it shall deem necessary, desirable or appropriate to effect compliance with such restrictions on transfer, including the issuance of stop-transfer instructions to the trustee under the Indenture or any other transfer agent thereunder.

Section 2.2 Surrender of Bonds.

(a) The Agent shall forthwith surrender to or upon the order of the Company all Bonds held by it at the first time at which all Obligations shall have been paid in full.

(b) Upon any prepayments of Term Loans pursuant to the terms of the Loan Agreement, the Agent shall forthwith surrender to or upon the order of the Company Bonds in an aggregate principal amount equal to the excess of the aggregate principal amount of Bonds held by the Agent over the aggregate outstanding Term Loans.

ARTICLE III
GOVERNING LAW

This Agreement shall construed in accordance with and governed by the internal laws (without regard to the conflict of laws provisions) of the State of New York, but giving effect to Federal laws applicable to national banks.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Company and the Agent have caused this Agreement to be executed and delivered as of the date first above written.

CONSUMERS ENERGY COMPANY

____

Name:
Title:

CITICORP NORTH AMERICA, INC., as Agent

____

Name:
Title:

COMMITMENT SCHEDULE

BANK	TERM LOAN COMMITMENT
Citicorp North America, Inc.	$ 150,000,000.00
	$
	$
	$
	$
	$
AGGREGATE TERM LOAN COMMITMENTS	$ 150,000,000

EXHIBIT 4(h)

EXECUTION COPY

$409,000,000

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of March 30, 2003,

Among

CMS ENERGY CORPORATION
as Borrower

THE BANKS NAMED HEREIN
as Banks

CITICORP USA, INC.
as Administrative Agent and Collateral Agent

SALOMON SMITH BARNEY INC.
as Sole Book Manager and Sole Lead Arranger

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SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of March 30, 2003

THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT (the "AGREEMENT") is made by and among:

(i) CMS Energy Corporation, a Michigan corporation (the "BORROWER"),

(ii) the banks (the "BANKS") listed on the signature pages hereof and the other Lenders (as hereinafter defined) from time to time party hereto, and

(iii) Citicorp USA, Inc. ("CUSA"), as administrative agent (the "ADMINISTRATIVE AGENT") for the Lenders hereunder and as collateral agent (the "COLLATERAL AGENT") for the Lenders hereunder.

PRELIMINARY STATEMENTS

The Borrower has requested the Banks (i) to amend and restate the Existing Credit Agreements (as hereafter defined) on the Initial Funding Date as a revolving credit facility on the same terms and conditions set forth in the Existing Credit Agreements (the "Initial Amendment and Restatement"), which Initial Amendment and Restatement is evidenced in full pursuant to this paragraph, and to make Loans in an amount equal to the "Available Commitments" (such term having the same meaning as set forth in the Existing 3-Year Credit Agreement) pursuant to such Initial Amendment and Restatement (such Loans being the "Initial Amendment and Restatement Revolving Loans"), and (ii) immediately thereafter to amend and restate the Initial Amendment and Restatement to provide the credit facility hereinafter described in the amount and on the terms and conditions set forth herein. The Banks have so agreed on the terms and conditions set forth herein, and the Agents have agreed to act as agents for the Lenders on such terms and conditions.

The parties hereto acknowledge and agree that neither Consumers (as hereinafter defined) nor any of its Subsidiaries (as hereinafter defined) will be a party to, or will in any way be bound by any provision of, this Agreement or any other Loan Document (as hereinafter defined), and that no Loan Document will be enforceable against Consumers or any of its Subsidiaries or their respective assets.

Accordingly, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"ABR LOAN" means a Loan that bears interest as provided in Section 3.05(b)(i).

"ADJUSTED LIBO RATE" means, for each Interest Period for each Eurodollar Rate Loan made as part of the same Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"ADMINISTRATIVE QUESTIONNAIRE" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"AFFILIATE" means, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person. A Person shall be deemed to control another entity if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.

"AGENT" means, as the context may require, the Administrative Agent or the Collateral Agent, and "AGENTS" means any or all of the foregoing.

"AIG PLEDGE AGREEMENT" means that certain Pledge and Security Agreement, dated as of January 8, 2003, by and among Enterprises and the other grantors parties thereto in favor of American Home Assurance Company, as collateral agent, a copy of which is attached hereto as Exhibit L, as amended, restated, supplemented or otherwise modified from time to time.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day, (b) 1/2 of one percent above the CD Rate, and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, CD Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE LENDING OFFICE" means, with respect to each Lender, at the address specified for such Lender on its signature page to this Agreement or in the Lender Assignment pursuant to which it became a Lender, as applicable, or at any office, branch, subsidiary or affiliate of such Lender specified in a notice received by the Administrative Agent and the Borrower from such Lender.

"APPLICABLE MARGIN" means, on any date of determination with respect to any Loans, the per annum rate specified in the table below for such Loans:

	Applicable Margin for Facility A Loans	Applicable Margin for Facility B Loans
ABR Loans	4.50%	6.00%
Eurodollar Rate Loans	5.50%	7.00%

" APPLICABLE RATE" means:

(i) in the case of each ABR Loan, a rate per annum equal at all times to the sum of the Alternate Base Rate in effect from time to time plus the Applicable Margin; and

(ii) in the case of each Eurodollar Rate Loan comprising part of the same Borrowing, a rate per annum during each Interest Period equal at all times to the sum of the Adjusted LIBO Rate for such Interest Period plus the Applicable Margin.

"APPROVED FUND" means, with respect to any Lender that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an affiliate of such investment advisor.

"ARRANGER" means Salomon Smith Barney Inc.

"AVAILABLE FACILITY A REVOLVING COMMITMENT" means, for each Lender on any day, the unused portion of such Lender's Facility A Revolving Commitment, computed after giving effect to all Extensions of Credit or prepayments to be made on such day and the application of proceeds therefrom. "AVAILABLE FACILITY A REVOLVING COMMITMENTS" means the aggregate of the Lenders' Available Facility A Revolving Commitments.

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"BORROWER INTEREST EXPENSE" means at any date, the total interest expense in respect of Debt of the Borrower for the four calendar quarters immediately preceding such date, including, without duplication, (i) interest expense attributable to capital leases, (ii) amortization of debt discount, (iii) capitalized interest, (iv) cash and noncash payments, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs under interest rate swap, "cap", "collar" or other hedging agreements (including amortization of discount) and (vii) interest expense in respect of obligations of Persons deemed to be Debt of the Borrower under clause (viii) of the definition of Debt, provided, however that Borrower Interest Expense shall exclude any costs otherwise included in interest expense recognized on early retirement of debt.

"BORROWING" means a borrowing consisting of Loans of the same Type, having the same Interest Period and made or Converted on the same day by the Lenders, ratably in accordance with their respective Percentages. Any Borrowing consisting of Loans of a particular Type may be referred to as being a Borrowing of such "TYPE". All Loans of the same Type, having the same Interest Period and made or Converted on the same day shall be deemed a single Borrowing hereunder until repaid or next Converted.

"BUSINESS DAY" means a day of the year on which banks are not required or authorized to close in New York City and Detroit, Michigan, and, if the applicable Business Day relates to any Eurodollar Rate Loan, on which dealings are carried on in the London interbank market.

"CASH DIVIDEND INCOME" means, for any period, the amount of all cash dividends received by the Borrower from its Subsidiaries during such period that are paid out of the net income or loss (without giving effect to: any extraordinary gains in excess of $25,000,000, the amount of any write-off or write-down of assets, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts, in each case in accordance with GAAP consistently applied, and up to $200,000,000 of other non-cash write-offs) of such Subsidiaries during such period.

"CD RATE" means the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, in either case, adjusted to the nearest 1/16 of one percent or, if there is no nearest 1/16 of one percent, to the next higher 1/16 of one percent.

"CHANGE OF CONTROL" means (a) any "person" or "group" within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the then outstanding voting capital stock of the Borrower, or (b) the majority of the board of directors of the Borrower shall fail to consist of Continuing Directors, or (c) a consolidation or merger of the Borrower shall occur after which the holders of the outstanding voting capital stock of the Borrower immediately prior thereto hold less than 50% of the outstanding voting capital stock of the surviving entity, or (d) more than 50% of the outstanding voting capital stock of the Borrower shall be transferred to any entity of which the Borrower owns less than 50% of the outstanding voting capital stock.

"CITIBANK" means Citibank, N.A., a national banking association.

"CITIGROUP PARTIES" means Citibank, CUSA, Salomon Smith Barney Inc. and each of their respective Affiliates, and each of their respective officers, directors, employees, agents, advisors, and representatives.

"CLOSING DATE" means March 30, 2003.

"COLLATERAL" means all property and interests in property now owned or hereafter acquired by any Loan Party upon which a Lien is granted under any of the Loan Documents.

"COMMITMENT" means, for each Lender, such Lender's Facility A Commitment (including such Lender's Facility A Revolving Commitment) and Facility B Commitment. "COMMITMENTS" means the total of the Lenders' Commitments hereunder. As of the Closing Date the aggregate of all of the Lenders' Commitments equals $409,000,000.

"COMMITMENT FEE MARGIN" means a per annum rate equal to the sum of the Adjusted LIBO Rate for such Interest Period plus 5.50%.

"COMMITMENT SCHEDULE" means the Schedule identifying each Lender's Commitment as of the Closing Date attached hereto and identified as such.

"COMMITMENT TERMINATION DATE" means the earlier of (i) the Conversion Date, (ii) the date of delivery of any Notice to Convert, and (iii) the date of termination or reduction in whole of the Facility A Revolving Commitments pursuant to Section 2.03 or 8.02.

"COMMUNICATIONS" is defined in Section 10.15.

"CONFIDENTIAL INFORMATION" has the meaning assigned to that term in Section 10.08.

"CONSOLIDATED DEBT" means, without duplication, as determined on a consolidated basis in accordance with GAAP, at any date of determination, the sum of the aggregate Debt of the Borrower plus the aggregate debt (as such term is construed in accordance with GAAP) of the Consolidated Subsidiaries; provided, however, that:

(a) Consolidated Debt shall not include any Support Obligation described in clause (iv) or (v) of the definition thereof if such Support Obligation or the primary obligation so supported is not fixed or conclusively determined or is not otherwise reasonably quantifiable as of the date of determination;

(b) Consolidated Debt shall not include (i) any Junior Subordinated Debt owned by any Hybrid Preferred Securities Subsidiary or (ii) any guaranty by the Borrower of payments with respect to any Hybrid Preferred Securities, provided that such guaranty is subordinated to the rights of the Lenders hereunder and under the other Loan Documents pursuant to terms of subordination

substantially similar to those set forth in Exhibit H, or pursuant to other terms and conditions satisfactory to the Required Lenders;

(c) for purposes of this definition only, the percentage of the Net Proceeds from any issuance of hybrid debt/equity securities (other than Junior Subordinated Debt and Hybrid Preferred Securities) by the Borrower or any Consolidated Subsidiary that shall be considered Consolidated Debt shall be agreed by the Arranger and the Borrower (and consented to by the Required Lenders) and shall be based on, among other things, the treatment (if any) given to such hybrid securities by the rating agencies;

(d) with respect to any Support Obligations provided by the Borrower in connection with a purchase or sale by MS&T or its Subsidiaries of natural gas, natural gas liquids, gas condensates, electricity, oil, propane, coal, any other commodity, weather derivatives or any derivative instrument with respect to any commodity with any other Person (a "COUNTERPARTY"), Consolidated Debt shall include only the excess, if any, of (A) the aggregate amount of any Support Obligations provided by the Borrower in respect of MS&T's or any of its Subsidiary's obligations under any such purchase or sale transaction (a "COVERING TRANSACTION") entered into by MS&T or any of its Subsidiaries in connection with such purchase or sale over (B) the aggregate amount of (i) any Support Obligations provided by the direct or indirect parent company of such Counterparty (the "COUNTERPARTY GUARANTOR") and (ii) any irrevocable letter of credit provided by any financial institution for the account of such Counterparty or Counterparty Guarantor, in each case for the benefit of MS&T or any of its Subsidiaries in support of such Counterparty's payment obligations to MS&T or such Subsidiary arising from such purchase or sale, provided that (x) the senior, unsecured, non-credit enhanced indebtedness of such Counterparty Guarantor or such financial institution (as the case may be) is rated BBB- (or its equivalent) or higher by any two of S&P, Fitch and Moody's, provided that in the event that such Counterparty Guarantor has no such rated indebtedness, Dun & Bradstreet Inc. has rated such Counterparty Guarantor at least investment grade, (y) no default by such Counterparty Guarantor in respect of any such Support Obligations provided by such Counterparty Guarantor has occurred and is continuing and (z) such Counterparty Guarantor is not the Borrower or any Affiliate of the Borrower or any of its Subsidiaries;

(e) Consolidated Debt shall not include any Project Finance Debt of the Borrower or any Consolidated Subsidiary; and

(f) Consolidated Debt shall not include the principal amount of any Securitized Bonds.

"CONSOLIDATED EBITDA" means, with reference to any period, the pretax operating income of the Borrower and its Subsidiaries ("PRETAX OPERATING INCOME") for such period plus, to the extent deducted in determining Pretax Operating Income (without duplication), (i) depreciation, depletion and amortization, and (ii) any non-cash

write-offs and write-downs contained in the Borrower's Pretax Operating Income, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts, in each case in accordance with GAAP consistently applied, all calculated for the Borrower and its Subsidiaries on a consolidated basis for such period; provided, however that Consolidated EBITDA shall not include any operating income attributable to that portion of the revenues of Consumers dedicated to the repayment of the Securitized Bonds.

"CONSOLIDATED SUBSIDIARY" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of the Borrower in accordance with GAAP.

"CONSUMERS" means Consumers Energy Company, a Michigan corporation, all of whose common stock is on the Closing Date owned by the Borrower.

"CONSUMERS CREDIT FACILITY" means, collectively, Consumer's existing (i) $300,000,000 term loan facility, (ii) $150,000,000 term loan B facility, (iii) $140,000,000 term loan facility and (iv) $250,000,000 revolving loan facility, as in effect on the date hereof.

"CONSUMERS DIVIDEND RESTRICTION" means any restriction enacted or imposed after October 1, 1992 upon the ability of Consumers to pay cash dividends to the Borrower in respect of Consumers' capital stock, whether such restriction is imposed by statute, regulation, decisions or rulings by the Michigan Public Service Commission or the Federal Energy Regulatory Commission (or any successor agency or agencies), final judgments of any court of competent jurisdiction, indentures, agreements, contracts or restrictions to which Consumers is a party or by which it is bound or otherwise; provided, that no restriction on such dividends existing on October 1, 1992 shall be a Consumers Dividend Restriction at any time.

"CONTINUING DIRECTOR" means, as of any date of determination, any member of the board of directors of the Borrower who (a) was a member of such board of directors on the Closing Date, or (b) was nominated for election or elected to such board of directors with the approval of the Continuing Directors who were members of such board of directors at the time of such nomination or election; provided that an individual who is so elected or nominated in connection with a merger, consolidation, acquisition or similar transaction shall not be a Continuing Director unless such individual was a Continuing Director prior thereto.

"CONVERSION", "CONVERT" or "CONVERTED" refers to a conversion of Loans of one Type into Loans of another Type, or to the selection of a new, or the renewal of the same, Interest Period for Loans, as the case may be, pursuant to Section 3.02 or 3.03.

"CONVERSION DATE" is defined in Section 2.01(d).

"DEBT" means, for any Person, without duplication, any and all indebtedness, liabilities and other monetary obligations of such Person (whether for principal, interest, fees, costs, expenses or otherwise, and whether contingent or otherwise) (i) for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, (ii) to pay

the deferred purchase price of property or services (except trade accounts payable arising in the ordinary course of business which are not overdue), (iii) as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, (iv) under reimbursement or similar agreements with respect to letters of credit issued thereunder (except reimbursement obligations and letters of credit that are cash collateralized), (v) under any interest rate swap, "cap", "collar" or other hedging agreements; provided, however, for purposes of the calculation of Debt for this clause (v) only, the actual amount of Debt of such Person shall be determined on a net basis to the extent such agreements permit such amounts to be calculated on a net basis, (vi) to pay rent or other amounts under leases entered into in connection with sale and leaseback transactions involving assets of such Person being sold in connection therewith, (vii) arising from any accumulated funding deficiency (as defined in Section 412(a) of the Internal Revenue Code of 1986, as amended) for a Plan, (viii) arising in connection with any withdrawal liability under ERISA to any Multiemployer Plan and (ix) arising from (A) direct or indirect guaranties in respect of, and obligations to purchase or otherwise acquire, or otherwise to warrant or hold harmless, pursuant to a legally binding agreement, a creditor against loss in respect of, Debt of others referred to in clauses (i) through (viii) above and (B) other guaranty or similar financial obligations in respect of the performance of others, including Support Obligations. Notwithstanding the foregoing, solely for purposes of the calculation required under Section 7.01(j)(ii), Debt shall not include any Junior Subordinated Debt issued by the Borrower and owned by any Hybrid Preferred Securities Subsidiary.

"DEBT FOR BORROWED MONEY" means, for any Person, without duplication, the sum of (i) Debt of such Person described in clause (i) of the definition of "Debt", plus (ii) all obligations of such Person with respect to receivables sold or otherwise discounted with recourse, plus (iii) all Project Finance Debt entered into by such Person on or after the Closing Date (other than Project Finance Debt incurred substantially contemporaneously with the acquisition or construction of the assets securing such Project Finance Debt), but shall exclude (a) notes, bills and checks presented in the ordinary course of business by such Person to banks for collection or deposit, (b) with respect to the Borrower and its Subsidiaries, all obligations of the Borrower and its Subsidiaries of the character referred to in this definition to the extent owing to the Borrower or any of its Subsidiaries, (c) with respect to Panhandle and its Subsidiaries, refinancings of Debt of Panhandle and its Subsidiaries existing as of the Closing Date, and Debt incurred or collateral delivered on or after the Closing Date with respect to any Support Obligations of Panhandle or its Subsidiaries existing as of the Closing Date, and (d) refinancings of Debt existing as of the Closing Date or incurred after the Closing Date in accordance with this Agreement, as applicable, to the extent such refinancing Debt is otherwise permitted under this Agreement.

"DEFAULT" means an event that, with the giving of notice or lapse of time or both, would constitute an Event of Default.

"DEFAULT RATE" means a rate per annum equal at all times to (i) in the case of any amount of principal of any Loan that is not paid when due, 2% per annum above the Applicable Rate required to be paid on such Loan immediately prior to the date on which

such amount became due, and (ii) in the case of any amount of interest, fees or other amounts payable hereunder that is not paid when due, 2% per annum above the Applicable Rate for an ABR Loan in effect from time to time.

"DESIGNATED PREPAYMENT" means each mandatory prepayment required by clauses (i), (ii) and (iii) of Section 2.03(b).

"DIVIDEND COVERAGE RATIO" means, at any date, the ratio of (i) Pro Forma Dividend Amounts to (ii) Borrower Interest Expense.

"DOLLARS" and the sign "$" each means lawful money of the United States.

"ENTERPRISES" means CMS Enterprises Company, a Michigan corporation, all of whose common stock is on the Closing Date owned by the Borrower.

"ENTERPRISES CREDIT AGREEMENT" means that certain $150,000,000 Credit Agreement, dated as of July 12, 2002, by and among Enterprises, as borrower, the Borrower, the lenders from time to time parties thereto, and Citicorp USA, Inc., as administrative agent and as collateral agent, which agreement has been paid in full and terminated.

"ENTERPRISES 2003 CREDIT AGREEMENT" means that certain revolving Credit Agreement, dated as of March 30, 2003, by and among Enterprises, as borrower, the Borrower, the lenders from time to time parties thereto, and CUSA, as administrative agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"ENTERPRISES SIGNIFICANT SUBSIDIARY" means CMS Generation Co., CMS Gas Transmission Company, Panhandle, any direct or indirect subsidiary of Panhandle and any other direct subsidiary of Enterprises having a net worth in excess of $50,000,000.

"ENVIRONMENTAL LAWS" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any governmental agency or authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Substance or to health and safety matters.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any of its Subsidiaries 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 Substances, (c) exposure to any Hazardous Substances, (d) the release or threatened release of any Hazardous Substances 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.

"EQUITY DISTRIBUTIONS" means, for any period, the aggregate amount of cash received by the Borrower from its Subsidiaries during such period that are paid out of proceeds from the sale of common equity of Subsidiaries of the Borrower.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means, with respect to any Person, any trade or business (whether or not incorporated) that is a member of a commonly controlled trade or business under Sections 414(b), (c), (m) and (o) of the Internal Revenue Code of 1986, as amended.

"EURODOLLAR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"EURODOLLAR RATE LOAN" means a Loan that bears interest as provided in Section 3.05(b)(ii).

"EVENT OF DEFAULT" is defined in Section 8.01.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXISTING CREDIT AGREEMENTS" means, collectively, (i) that certain $300,000,000 Amended and Restated Credit Agreement (the "EXISTING 3-YEAR CREDIT AGREEMENT"), and (ii) that certain $295,800,000 Amended and Restated Credit Agreement (the "EXISTING 364-DAY CREDIT AGREEMENT"), each dated as of July 12, 2002, among the Borrower, the lenders party thereto, Barclays Bank PLC, as administrative agent, Citicorp USA, Inc, as collateral agent, Bank of America, N.A. and JPMorgan Chase Bank, as co-syndication agents, and Citicorp USA, Inc. and Union Bank of California, N.A., as documentation agents, as the same may have been amended, restated, supplemented or otherwise modified from time to time.

"EXTENSION OF CREDIT" means the making of a Borrowing (including any Conversion).

"FACILITY A COMMITMENT" means, for each Lender, the obligation of such Lender to make Facility A Loans (including Facility A Revolving Loans pursuant to such Lender's Facility A Revolving Commitment) to the Borrower in an aggregate amount no greater than the amount set forth opposite such Lender's name on the Commitment Schedule under the heading "Facility A Commitment".

"FACILITY A LOAN" means, for any Lender, term loans made by such Lender as set forth in Section 2.01 and such Lender's Facility A Revolving Loans.

"FACILITY A MATURITY DATE" means April 30, 2004.

"FACILITY A REVOLVING COMMITMENT" means, for each Lender, the obligation of such Lender to make Facility A Revolving Loans to the Borrower prior to the Commitment Termination Date in an aggregate amount no greater than aggregate outstanding principal amount of the Initial Amendment and Restatement Revolving Loans as of the Closing Date, or, if such Lender has entered into one or more Lender Assignments, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 10.07(c), in each such case as such amount may be reduced from time to time pursuant to Section 2.03.

"FACILITY A REVOLVING LOANS" means, for each Lender, Loans made pursuant to such Lender's Facility A Revolving Commitment hereunder.

"FACILITY B COMMITMENT" means, for each Lender, the obligation of such Lender to make Facility B Loans to the Borrower in an aggregate amount no greater than the amount set forth opposite such Lender's name on the Commitment Schedule under the heading "Facility B Commitment".

"FACILITY B LOAN" is defined in Section 2.01.

"FACILITY B MATURITY DATE" means September 30, 2004.

"FAIR MARKET VALUE" means, with respect to any asset, the value of the consideration obtainable in a sale of such asset in the open market, assuming a sale by a willing seller to a willing purchaser dealing at arm's length and arranged in an orderly manner over a reasonable period of time, each having reasonable knowledge of the nature and characteristics of such asset, neither being under any compulsion to act, and, if in excess of $50,000,000, as determined in good faith by the Board of Directors of the Borrower.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FEE LETTER" is defined in Section 2.02(b).

"FITCH" means Fitch, Inc. or any successor thereto.

"FOREIGN LENDER" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"FOREIGN SUBSIDIARY" is defined in Section 7.01(l).

"GAAP" is defined in Section 1.03.

"GOVERNMENTAL APPROVAL" means any authorization, consent, approval, license, permit, certificate, exemption of, or filing or registration with, any governmental authority or other legal or regulatory body, required in connection with (i) the execution, delivery, or performance of any Loan Document by any Loan Party, (ii) the grant and perfection of any Lien in favor of the Collateral Agent contemplated by the Loan Documents, or (iii) the exercise by any Agent (on behalf of the Lenders) of any right or remedy provided for under the Loan Documents.

"GRANTOR(S)" means each Guarantor and each of the following Subsidiaries of the Borrower: CMS Capital, L.L.C., a Michigan limited liability company, CMS Electric & Gas, L.L.C. (formerly known as CMS Electric and Gas Company), a Michigan limited liability company, MS&T, CMS International Ventures, L.L.C., a Michigan limited liability company, CMS Field Services, Inc., a Michigan corporation, Dearborn Industrial Energy, L.L.C., a Michigan limited liability company, Dearborn Industrial Generation, L.L.C., a Michigan limited liability company, CMS Generation Michigan Power L.L.C., a Michigan limited liability company, CMS Gas Processing, L.L.C., an Oklahoma limited liability company, CMS Natural Gas Gathering, L.L.C., an Oklahoma limited liability company and CMS Field Services Holdings Company, an Oklahoma corporation.

"GUARANTOR" means Enterprises, CMS Generation Co., a Michigan corporation, CMS Gas Transmission Company, a Michigan corporation, and each other Restricted Subsidiary (excluding Panhandle and its Subsidiaries) that has delivered, or shall be obligated to deliver, a guaranty under and pursuant to the terms of Section 7.01(l).

"GUARANTY" means that certain Guaranty (and any and all supplements thereto) executed from time to time by each Guarantor in favor of the Collateral Agent for the benefit of itself and the Lenders, in substantially the form of Exhibit I attached hereto, as amended, restated, supplemented or otherwise modified from time to time.

"HAZARDOUS SUBSTANCE" means any waste, substance, or material identified as hazardous, dangerous or toxic by any office, agency, department, commission, board, bureau, or instrumentality of the United States or of the State or locality in which the same is located having or exercising jurisdiction over such waste, substance or material.

"HYBRID PREFERRED SECURITIES" means any preferred securities issued by a Hybrid Preferred Securities Subsidiary, where such preferred securities have the following characteristics:

(i) such Hybrid Preferred Securities Subsidiary lends substantially all of the proceeds from the issuance of such preferred securities to the Borrower or a wholly-owned direct or indirect Subsidiary of the Borrower in exchange for Junior Subordinated Debt issued by the Borrower or such wholly-owned direct or indirect Subsidiary, respectively;

(ii) such preferred securities contain terms providing for the deferral of interest payments corresponding to provisions providing for the deferral of interest payments on the Junior Subordinated Debt; and

(iii) the Borrower or a wholly-owned direct or indirect Subsidiary of the Borrower (as the case may be) makes periodic interest payments on the Junior Subordinated Debt, which interest payments are in turn used by the Hybrid Preferred Securities Subsidiary to make corresponding payments to the holders of the preferred securities.

"HYBRID PREFERRED SECURITIES SUBSIDIARY" means any Delaware business trust (or similar entity) (i) all of the common equity interest of which is owned (either directly or indirectly through one or more wholly-owned Subsidiaries of the Borrower or Consumers) at all times by the Borrower or a wholly-owned direct or indirect Subsidiary of the Borrower, (ii) that has been formed for the purpose of issuing Hybrid Preferred Securities and (iii) substantially all of the assets of which consist at all times solely of Junior Subordinated Debt issued by the Borrower or a wholly-owned direct or indirect Subsidiary of the Borrower (as the case may be) and payments made from time to time on such Junior Subordinated Debt.

"INDEMNIFIED PERSON" is defined in Section 10.04(b).

"INDENTURE" means that certain Indenture, dated as of September 15, 1992, between the Borrower and the Trustee, as supplemented by the First Supplemental Indenture, dated as of October 1, 1992, the Second Supplemental Indenture, dated as of October 1, 1992, the Third Supplemental Indenture, dated as of May 6, 1997, the Fourth Supplemental Indenture, dated as of September 26, 1997, the Fifth Supplemental Indenture, dated as of November 4, 1997, the Sixth Supplemental Indenture, dated as of January 13, 1998, the Seventh Supplemental Indenture, dated as of January 25, 1999, the Eighth Supplemental Indenture, dated as of February 3, 1999, the Ninth Supplemental Indenture, dated as of June 22, 1999, the Tenth Supplemental Indenture, dated as of October 12, 2000, the Eleventh Supplemental Indenture, dated as of March 29, 2001, and the Twelfth Supplemental Indenture, dated as of July 2, 2001, as said Indenture may be further amended or otherwise modified from time to time in accordance with its terms.

"INITIAL AMENDMENT AND RESTATEMENT" is defined in the first recital hereto.

"INITIAL AMENDMENT AND RESTATEMENT REVOLVING LOANS" is defined in the first recital hereto.

"INITIAL FUNDING DATE" mean the initial date the Loans are made hereunder.

"INTERCREDITOR AGREEMENT" means that certain Intercreditor and Lien Subordination Agreement, dated as of January 8, 2003, by and among Citicorp USA, Inc., as senior collateral agent, American Home Assurance Company, individually and as junior collateral agent, and St. Paul Fire and Marine Insurance Company, individually, a copy of which is attached hereto as Exhibit M, as amended, restated, supplemented or otherwise modified from time to time.

"INTEREST PERIOD" is defined in Section 3.03.

"JUNIOR SUBORDINATED DEBT" means any unsecured Debt of the Borrower or a Subsidiary of the Borrower (i) issued in exchange for the proceeds of Hybrid Preferred Securities and (ii) subordinated to the rights of the Lenders hereunder and under the other Loan Documents pursuant to terms of subordination substantially similar to those set forth in Exhibit G, or pursuant to other terms and conditions satisfactory to the Required Lenders.

"LENDER ASSIGNMENT" is defined in Section 10.07(e).

"LENDERS" means the Banks listed on the signature pages hereof, together with their successors and assigns.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, the greater of (i) 2.00% per annum and (ii) the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO RATE" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIEN" is defined in Section 7.02(a).

"LOAN" means a loan by a Lender to the Borrower, and refers to an ABR Loan or a Eurodollar Rate Loan (each of which shall be a "TYPE" of Loan). All Loans by a Lender of the same Type having the same Interest Period and made or Converted on the same day shall be deemed to be a single Loan by such Lender until repaid or next Converted.

"LOAN DOCUMENTS" means this Agreement, any Promissory Notes, the Fee Letter, the Guaranty, the Pledge Agreements, and all other agreements, instruments and documents now or hereafter executed and/or delivered pursuant hereto or thereto.

"LOAN PARTY" is defined in Section 5.01(a)(i).

"MATERIAL ADVERSE CHANGE" means any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, assets, property, financial condition, results of operations or prospects of the Borrower and its Subsidiaries, considered as a whole, (b) the Borrower's and the

Guarantors' ability, taken as a whole, to perform their obligations under this Agreement or any other Loan Document to which it is or will be a party or (c) the validity or enforceability of any Loan Document or the rights or remedies of any Agent or the Lenders thereunder; provided that the occurrence of any Restatement Event shall not constitute a Material Adverse Change.

"MEASUREMENT QUARTER" is defined in Section 7.01(i).

"MOODY'S" means Moody's Investors Service, Inc. or any successor thereto.

"MS&T" means CMS Marketing, Services and Trading Company, a Michigan corporation, all of whose capital stock is on the Closing Date owned by Enterprises.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NET PROCEEDS" means, with respect to any sale, assignment or other disposition of (but not the lease or license of) any property, or with respect to any sale or issuance of securities or incurrence of Debt, by any Person, gross cash proceeds received by such Person or any Subsidiary of such Person from such sale, assignment, disposition, issuance or incurrence (including cash received as consideration for the assumption or incurrence of liabilities incurred in connection with or in anticipation of such transaction) after (i) provision for all income or other taxes measured by or resulting from such transaction, (ii) payment of all customary underwriting commissions, auditing and legal fees, printing costs, rating agency fees and other customary and reasonable fees and expenses incurred by such Person in connection with such transaction, (iii) all amounts used to repay Debt (and any premium or penalty thereon) secured by a Lien on any asset disposed of in such sale, assignment or other disposition or which is or may be required (by the express terms of the instrument governing such Debt or by applicable law) to be repaid in connection with such sale, assignment, or other disposition, and (iv) deduction of appropriate amounts to be provided by such Person or a Subsidiary of such Person as a reserve, in accordance with GAAP consistently applied, against any liabilities associated with the assets sold, transferred or disposed of in such transaction and retained by such Person or a Subsidiary of such Person after such transaction, provided that "Net Proceeds" shall include on a dollar-for-dollar basis all amounts remaining in such reserve after such liability shall have been satisfied in full or terminated; provided, however, that notwithstanding the foregoing, "Net Proceeds" shall exclude (a) any amounts received or deemed to be received by the Borrower for the purchase of the Borrower's capital stock in connection with the Borrower's dividend reinvestment program and (b) amounts received by the Borrower or any Subsidiary of the Borrower pursuant to any transaction with the Borrower or any Subsidiary of the Borrower otherwise permitted hereunder.

"NET WORTH" means, with respect to any Person, the excess of such Person's total assets over its total liabilities, total assets and total liabilities each to be determined in accordance with GAAP consistently applied, excluding, however, from the determination of total assets (i) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in

any thereof, and other similar intangibles, (ii) cash held in a sinking, escrow or other analogous fund established for the purpose of redemption, retirement or prepayment of capital stock or Debt, and (iii) any items not included in clauses (i) or (ii) above, that are treated as intangibles in conformity with GAAP.

"NOTICE OF BORROWING" is defined in Section 3.01(a).

"NOTICE OF CONVERSION" is defined in Section 3.02.

"NOTICE TO CONVERT" is defined in Section 2.01(d).

"OBLIGATIONS" means all unpaid principal of and accrued and unpaid interest on the Loans, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower and other Loan Parties to any of the Agents, the Arranger, the Lenders or any other indemnified party arising under the Loan Documents.

"OECD" means the Organization for Economic Cooperation and Development.

"OFF-BALANCE SHEET LIABILITY" of a Person shall mean any of the following obligations not appearing on such Person's consolidated balance sheet: (i) all lease obligations, leveraged leases, sale and leasebacks and other similar lease arrangements of such Person, (ii) any liability under any so called "synthetic lease" or "tax ownership operating lease" transaction entered into by such Person, and (iii) any obligation arising with respect to any other transaction if and to the extent that such obligation is the functional equivalent of borrowing but that does not constitute a liability on the consolidated balance sheet of such Person.

"OWNERSHIP INTEREST" of the Borrower in any Consolidated Subsidiary means, at any date of determination, the percentage determined by dividing (i) the aggregate amount of Project Finance Equity in such Consolidated Subsidiary owned or controlled, directly or indirectly, by the Borrower and any other Consolidated Subsidiary on such date, by (ii) the aggregate amount of Project Finance Equity in such Consolidated Subsidiary owned or controlled, directly or indirectly, by all Persons (including the Borrower and the Consolidated Subsidiaries) on such date. Notwithstanding anything to the contrary set forth above, if the "Ownership Interest," calculated as set forth above, is 50% or less, such percentage shall be deemed to equal 0%.

"PANHANDLE" means Panhandle Eastern Pipe Line Company, a Delaware corporation, all of whose capital stock is on the Closing Date owned indirectly by Enterprises.

"PARTICIPANT" is defined in Section 10.07(b).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor entity) established under ERISA.

"PERCENTAGE" means, for any Lender on any date of determination (a) prior to the Commitment Termination Date, the percentage obtained by dividing the aggregate

outstanding principal amount of such Lender's Loans (other than Facility A Revolving Loans) on such day plus such Lender's Facility A Revolving Commitment on such day by the total of the Lenders' Loans (other than Facility A Revolving Loans) plus Facility A Revolving Commitments on such date, and multiplying the quotient so obtained by 100%, and (b) from and after the Commitment Termination Date, the percentage obtained by dividing the aggregate outstanding principal amount of such Lender's Loans on such day by the total of the Lenders' Loans on such date, and multiplying the quotient so obtained by 100%.

"PERMITTED INVESTMENTS" means each of the following so long as no such Permitted Investment shall have a final maturity later than six months from the date of investment therein:

(i) direct obligations of the United States, or of any agency thereof, or obligations guaranteed as to principal and interest by the United States or any agency thereof;

(ii) certificates of deposit or bankers' acceptances issued, or time deposits held, or investment contracts guaranteed, by any Lender, any nationally-recognized securities dealer or any other commercial bank, trust company, savings and loan association or savings bank organized under the laws of the United States, or any State thereof, or of any other country which is a member of the OECD, or a political subdivision of any such country, and in each case having outstanding unsecured indebtedness that (on the date of acquisition thereof) is rated AA- or better by S&P or Aa3 or better by Moody's (or an equivalent rating by another nationally-recognized credit rating agency of similar standing if neither of such corporations is then in the business of rating unsecured bank indebtedness);

(iii) obligations with any Lender, any other bank or trust company described in clause (ii), above, or any nationally-recognized securities dealer, in respect of the repurchase of obligations of the type described in clause (i), above, provided that such repurchase obligations shall be fully secured by obligations of the type described in said clause (i) and the possession of such obligations shall be transferred to, and segregated from other obligations owned by, such Lender, such other bank or trust company or such securities dealer;

(iv) commercial paper rated (on the date of acquisition thereof) A-1 or P-1 or better by S&P or Moody's, respectively (or an equivalent rating by another nationally-recognized credit rating agency of similar standing if neither of such corporations is then in the business of rating commercial paper);

(v) any eurodollar certificate of deposit issued by any Lender or any other commercial bank, trust company, savings and loan association or savings bank organized under the laws of the United States, or any State thereof, or of any country which is a member of the OECD, or a political subdivision of any such country, and in each case having outstanding unsecured indebtedness that (on the

date of acquisition thereof) is rated AA- or better by S&P or Aa3 or better by Moody's (or an equivalent rating by another nationally-recognized credit rating agency of similar standing if neither of such corporations is then in the business of rating unsecured bank indebtedness); and

(vi) interests in any money market mutual fund which at the date of investment in such fund has the highest fund rating by each of Moody's and S&P which has issued a rating for such fund (which, for S&P, shall mean a rating of AAAm or AAAmg).

"PERSON" means an individual, partnership, corporation (including a business trust), joint stock company, limited liability company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PLAN" means, with respect to any Person, an "employee benefit plan" as defined in Section 3(3) of ERISA (other than a Multiemployer Plan) maintained for employees of such Person or any ERISA Affiliate of such Person that is subject to Title IV of ERISA and has "unfunded benefit liabilities" as determined under Section 4001(a)(18) of ERISA.

"PLAN TERMINATION EVENT" means, (i) with respect to any Plan, a "reportable event" within the meaning of Section 4043 of ERISA and the regulations issued thereunder (other than a "reportable event" not subject to the provision for 30-day notice to the PBGC under such regulations or a "reportable event" for which the provision for the 30-day notice to the PBGC under such regulations has been waived), or (ii) the withdrawal by the Borrower or any of its ERISA Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA resulting in liability to the Borrower or any of its ERISA Affiliates under Section 4063 or 4064 of ERISA, or (iii) the filing of a notice of intent to terminate a Plan or the termination of a Plan under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC, or (v) any other event or condition which is reasonably likely to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"PLATFORM" is defined in Section 10.15

"PLEDGE AGREEMENTS" means each of (i) that certain Amended and Restated Pledge and Security Agreement, dated as of March 30, 2003, by and between the Borrower and the Collateral Agent, in substantially the form of Exhibit J attached hereto, pursuant to which the Borrower shall grant a security interest in the capital stock of Consumers and Enterprises and a security interest in accounts receivable and notes owed by Enterprises or any Subsidiary of Enterprises to the Borrower, and (ii) that certain Pledge and Security Agreement, dated as of July 12, 2002, by and among the Grantors and the Collateral Agent in substantially the form of Exhibit K hereto, pursuant to which such Grantors shall grant a security interest in the capital stock (or comparable interest) of each of the Subsidiaries of the Borrower identified as owned by it on Schedule II

hereto and a security interest in accounts receivable and notes owed by the Borrower or Enterprises or any Subsidiary of Enterprises to such Grantor, in each case as the same may be amended, restated, supplemented or otherwise modified from time to time.

"PRIMARY WEB PORTAL" is defined in Section 10.15.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Citibank as its base rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"PRO FORMA DIVIDEND AMOUNT" means, from and after any date of any Consumers Dividend Restriction, the sum of (a) the aggregate amount which Consumers could have paid to the Borrower during the four calendar quarters immediately preceding such date had such Consumers Dividend Restriction been in effect during such quarters plus (b) cash dividends received by the Borrower from any other Subsidiary during such quarters.

"PROJECT FINANCE DEBT" means Debt of any Person that is non-recourse to such Person (unless such Person is a special-purpose entity) and any Affiliate of such Person, other than with respect to the interest of the holder of such Debt in the collateral, if any, securing such Debt.

"PROJECT FINANCE EQUITY" means, at any date of determination, consolidated equity of the common, preference and preferred stockholders of the Borrower and the Consolidated Subsidiaries relating to any obligor with respect to Project Finance Debt.

"PROMISSORY NOTE" means any promissory note of the Borrower payable to the order of a Lender (and, if requested, its registered assigns) issued pursuant to Section 3.01(c); and "PROMISSORY NOTES" means any or all of the foregoing.

"RECIPIENT" is defined in Section 10.08.

"REGISTER" is defined in Section 10.07(h).

"RELATED PARTIES" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"REQUIRED LENDERS" means, on any date of determination, Lenders that, collectively, on such date hold more than 50% of the then aggregate unpaid principal amount of the Loans owing to Lenders. Any determination of those Lenders constituting the Required Lenders shall be made by the Administrative Agent and shall be conclusive and binding on all parties absent manifest error.

"RESTATEMENT" means the restatement of the financial statements of the Borrower or its Subsidiaries for any fiscal quarter of 2001, as well as any adjustment of previously announced quarterly results, but only if made to reflect the restatement of such quarters.

"RESTATEMENT EVENT" means (i) the Restatement, (ii) any lawsuit or other action previously or hereafter brought against the Borrower, any of its Subsidiaries or any of their Affiliates or any present or former officer or director of the Borrower, any of its Subsidiaries or any of their Affiliates involving or arising out of the Restatement, and any settlement thereof, or other development with respect thereto, or (iii) the occurrence of any default or event of default under any indenture, instrument or other agreement or contract, or the exercise of any remedy in respect thereof, that arises directly or indirectly as a result of any of the matters described in any of the foregoing clauses (i) or (ii) or this clause (iii); provided, however, that, for purposes of the definition of "MATERIAL ADVERSE CHANGE", (a) the foregoing clause (ii) shall be inapplicable if such lawsuit or other action, settlement (in an amount in the aggregate together with all other settlements of such lawsuits or actions) or other development described in such clause (ii) could reasonably be expected, in each case, to result in liability to such Person in excess of $6,000,000 and (b) the foregoing clause (iii) shall be inapplicable if any such event described in such clause (iii) would constitute an Event of Default under Section 8.01(e).

"RESTRICTED SUBSIDIARY" means (i) Enterprises and (ii) any other Subsidiary of the Borrower (other than Consumers and its Subsidiaries) that, on a consolidated basis with any of its Subsidiaries as of any date of determination, accounts for more than 10% of the consolidated assets of the Borrower and its Consolidated Subsidiaries.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., or any successor thereto.

"SECURITIZED BONDS" means any nonrecourse bonds or similar asset-backed securities issued by a special-purpose subsidiary of Consumers which are payable solely from specialized charges authorized by the utility commission of the relevant state in connection with the recovery of regulatory assets or other qualified costs.

"6.75% SENIOR NOTES" means the Borrower's 6.75% Senior Notes due January 2004, the aggregate outstanding principal amount of which was equal to $287,025,000 as of February 28, 2003.

"SOLVENT", when used with respect to any Person, means that at the time of determination:

(i) the fair market value of its assets is in excess of the total amount of its liabilities (including, without limitation, net contingent liabilities); and

(ii) it is then able and expects to be able to pay its debts (including, without limitation, contingent debts and other commitments) as they mature; and

(iii) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

For purposes of this definition, the amount of contingent liabilities at any time shall be computed as the amount that, in light of all the facts and circumstances known to such Person at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"STATUTORY RESERVE RATE" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Rate Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"SUBSIDIARY" means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether at the time capital stock (or comparable interest) of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by said Person (whether directly or through one or more other Subsidiaries). In the case of an unincorporated entity, a Person shall be deemed to have more than 50% of interests having ordinary voting power only if such Person's vote in respect of such interests comprises more than 50% of the total voting power of all such interests in the unincorporated entity.

"SUPPORT OBLIGATIONS" means, for any Person, without duplication, any financial obligation, contingent or otherwise, of such Person guaranteeing or otherwise supporting any Debt or other obligation of any other Person in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect (including, but not limited to, letters of credit and surety bonds in connection therewith), (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (ii) to purchase property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt, (iii) to maintain working capital, equity capital, available cash or other financial statement condition of the primary obligor so as to enable the primary obligor to pay such Debt, (iv) to provide equity capital under or in respect of equity subscription arrangements (to the extent that such obligation to provide equity capital does not otherwise constitute Debt), or (v) to perform, or arrange for the performance of, any non-monetary obligations or non-funded debt payment obligations of the primary obligor.

"TAX SHARING AGREEMENT" means the Amended and Restated Agreement for the Allocation of Income Tax Liabilities and Benefits, dated as of January 1, 1994, by and among the Borrower, each of the members of the Consolidated Group (as defined therein), and each of the corporations that become members of the Consolidated Group.

"TRUSTEE" has the meaning assigned to that term in the Indenture.

"TYPE" has the meaning assigned to such term (i) in the definition of "Loan" when used in such context and (ii) in the definition of "Borrowing" when used in such context.

SECTION 1.02. COMPUTATION OF TIME PERIODS; CONSTRUCTION.

(a) Unless otherwise indicated, each reference in this Agreement to a specific time of day is a reference to New York City time. In the computation of periods of time under this Agreement, any period of a specified number of days or months shall be computed by including the first day or month occurring during such period and excluding the last such day or month. In the case of a period of time "from" a specified date "to" or "until" a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

(b) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes", and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iv) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (v) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.03. ACCOUNTING TERMS. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 6.01(e) ("GAAP"), it being understood that such financial statements do not reflect the Restatement. If any changes in generally accepted accounting principles are hereafter required or permitted and are adopted by the Borrower or any of its Subsidiaries, or the Borrower or any of its Subsidiaries shall change its application of generally accepted accounting principles with respect to any Off-Balance Sheet Liabilities, in each case, with the agreement of its independent certified public accountants, and such changes result in a change in the method of calculation of any of the financial covenants, tests, restrictions or standards herein or in the related definitions or terms used therein ("ACCOUNTING CHANGES"), the parties hereto agree, at the Borrower's request, to enter into negotiations, in good faith, in order to amend such provisions in a credit neutral manner so as to reflect equitably such changes with the desired result that the criteria for evaluating the Borrower's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; provided, however, until such provisions are amended in a manner reasonably satisfactory to the Agents, the Arranger and the Required

Lenders, no Accounting Change shall be given effect in such calculations. In the event such amendment is entered into, all references in this Agreement to GAAP shall mean generally accepted accounting principles as of the date of such amendment. Notwithstanding the foregoing, all financial statements to be delivered by the Borrower pursuant to Section 7.03 shall be prepared in accordance with generally accepted accounting principles in effect at such time.

ARTICLE II
COMMITMENTS, LOANS, FEES, PREPAYMENTS AND OUTSTANDINGS

SECTION 2.01. RE-EVIDENCING OF "LOANS" UNDER THE INITIAL AMENDMENT AND RESTATEMENT.

(a) Subject to the terms and conditions set forth in this Agreement, on the Initial Funding Date, outstanding loans under the Initial Amendment and Restatement (other than the Initial Amendment and Restatement Revolving Loans) in an amount equal to each Lender's Facility A Commitment (exclusive of each Lender's Facility A Revolving Commitment) shall be re-evidenced hereunder as term loans, in Dollars, to the Borrower from such Lender in an amount equal to such Lender's Facility A Commitment (exclusive of each Lender's Facility A Revolving Commitment) (each individually, a "Facility A Loan" and, collectively, the "Facility A Loans").

(b) Subject to the terms and conditions set forth in this Agreement, on the Initial Funding Date, outstanding loans under the Initial Amendment and Restatement (other than the Initial Amendment and Restatement Revolving Loans) in an amount equal to each Lender's Facility B Commitment shall be re-evidenced hereunder as term loans, in Dollars, to the Borrower from such Lender in an amount equal to such Lender's Facility B Commitment (each individually, a "Facility B Loan" and, collectively, the "Facility B Loans").

(c) Each Lender severally agrees, on the terms and conditions hereinafter set forth to make Facility A Revolving Loans to the Borrower during the period from the Initial Funding Date until the Commitment Termination Date in an aggregate outstanding amount not to exceed on any day such Lender's Available Facility A Revolving Commitment (after giving effect to all Extensions of Credit to be made on such day and the application of the proceeds thereof). Within the limits hereinafter set forth, the Borrower may request Extensions of Credit hereunder, prepay Facility A Revolving Loans, and use the resulting increase in the Available Facility A Revolving Commitments for further Extensions of Credit in accordance with the terms hereof.

(d) (x) At the Borrower's option prior to the date all or a portion of the secondary syndication of the Commitments shall be effective, upon written notice (a "Notice to Convert") to the Administrative Agent (who shall promptly notify each of the Lenders), or (y) automatically, if not converted prior to such date, on the later of (A) the 21st day after the Initial Funding Date and (B) the date all or a portion of the secondary syndication of the Commitments shall be effective (such date of conversion under clauses (x) or (y) being the "Conversion Date"), the then outstanding aggregate principal amount of the Loans hereunder shall be converted to a term loan. Any Notice to Convert shall expressly state the applicable Conversion Date and shall be irrevocable once given. The Borrower shall be deemed to have represented and warranted

that the conditions contained in Section 5.03 have been satisfied as of the date of any Notice to Convert. Upon delivery of such Notice to Convert (or if no such Notice to Convert is given, upon the automatic Conversion Date described above), (i) the Borrower's option to borrow and reborrow Facility A Revolving Loans shall terminate, (ii) the aggregate of the Lenders' Facility A Revolving Commitments shall be reduced to zero, and (iii) the outstanding principal balance of all Facility A Revolving Loans hereunder shall be due and payable on the Facility A Termination Date. All references in this Agreement to Facility A Loans shall include such Facility A Revolving Loans as converted hereunder.

SECTION 2.02. FEES.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee equal to the product of (i) the average daily amount of such Lender's Available Facility A Revolving Commitment from the Initial Funding Date, in the case of each Bank, and from the effective date specified in the Lender Assignment pursuant to which it became a Lender, in the case of each other Lender, until the Commitment Termination Date multiplied by (ii) the Commitment Fee Margin in effect as of the date upon which such fee is payable. Such fees shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing the first such date to occur following the Initial Funding Date, and on the Commitment Termination Date.

(b) In addition to the fees provided for in subsection (a) above, the Borrower shall pay to the Administrative Agent, for the account of CUSA and the other Persons entitled thereto, such other fees as are provided for in that certain letter agreement, dated March 30, 2003 among the Borrower, the Agents, the Arranger (the "FEE LETTER"), in the amounts and at the times specified therein.

SECTION 2.03. MANDATORY PREPAYMENTS.

(a) The Borrower may (and shall provide notice thereof to the Administrative Agent not later than 10:00 a.m. (New York City time) on the date of termination or reduction, and the Administrative Agent shall promptly distribute copies thereof to the Lenders) terminate in whole or reduce ratably in part the unused portions of the Facility A Revolving Commitments; provided that any such partial reduction shall be in the aggregate amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) Upon the occurrence of a Change of Control the Commitments shall be reduced to zero and the principal amount outstanding hereunder, all interest thereon and all other amounts payable under this Agreement and the other Loan Documents shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

(c) From and after the date that all of the obligations under the Enterprises 2003 Credit Agreement shall have been paid in full in cash and the Enterprises 2003 Credit Agreement shall have been terminated, the Borrower shall make the following mandatory prepayments:

(i) Promptly and in any event within 3 Business Days after the Borrower's or any of its Subsidiaries' receipt of any Net Proceeds from the sale or issuance of equity securities, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to one hundred percent (100%) of such Net Proceeds;

(ii) Promptly and in any event within 3 Business Days after the Borrower's or any of its Subsidiaries' receipt of any Net Proceeds from the incurrence of Debt For Borrowed Money, other than Debt incurred by Consumers or any Subsidiary of Consumers, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to one hundred percent (100%) of such Net Proceeds; and

(iii) Promptly and in any event within 3 Business Days after the Borrower's or any of its Subsidiaries' receipt of any Net Proceeds from the sale, assignment or other disposition of (but not the lease or license of) any property, including, without limitation, any sale of capital stock or other equity interest in any of the Borrower's direct or indirect Subsidiaries, in an amount, when combined with the Net Proceeds of all other such transactions since the Closing Date that have not been applied to the prepayment of the Obligations in accordance with this clause (iii), in excess of $10,000,000, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to one hundred percent (100%) of such aggregate Net Proceeds, provided that such amount shall exclude Net Proceeds arising from (A) any sale, assignment or other disposition of property by Consumers or any Subsidiary of Consumers (other than the capital stock of Consumers), (B) the sale of all or substantially all of the electrical power book of MS&T and (C) any sale or other disposition by the Borrower or any of its Subsidiaries in the ordinary course of business consistent with past practice, provided, further that any Designated Prepayment under this clause (iii) shall be made without regard to whether the obligations under the Enterprises 2003 Credit Agreement shall have been paid in full in cash and terminated if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such Designated Prepayment.

Nothing in this Section 2.03(c) shall be construed to constitute the Lenders' consent to any transaction referenced in clauses (i), (ii) and (iii) above which is not expressly permitted by Article VII. The Borrower shall give the Administrative Agent prior written notice or telephonic notice promptly confirmed in writing (each of which the Administrative Agent shall promptly transmit to each Lender), when a Designated Prepayment will be made (which date of prepayment shall be no later than the date on which such Designated Prepayment becomes due and payable pursuant to this Section 2.03(c)). Designated Prepayments shall be allocated and applied first to the outstanding Facility A Loans (and amounts applied thereunder being deemed to be applied first to Facility A Revolving Loans (and shall permanently reduce on a ratable basis the Facility A Revolving Commitments) or any Facility A Loans following the Conversion Date that re-evidence such Facility A Revolving Loans, and thereafter all other Facility A Loans) and then to the outstanding Facility B Loans. So long as any Facility B Loans shall be outstanding, any Lender with a Facility A Loan may, after the repayment of the Facility A Revolving Loans and termination of the Facility A Revolving Commitments, or any Facility A Loans following the Conversion Date that re-evidence such Facility A Revolving Loans, decline any Designated

Prepayment, in which case the amount declined will be applied pro rata and ratably to prepayment of the Facility B Loans. Any Lender with a Facility B Loan may decline any Designated Prepayment, in which case the amount declined shall be paid as the Borrower so designates. All Designated Prepayments shall be applied first to repay outstanding ABR Loans and then to repay outstanding Eurodollar Rate Loans with those Eurodollar Rate Loans which have earlier expiring Interest Periods being repaid prior to those which have later expiring Interest Periods.

SECTION 2.04. COMPUTATIONS OF OUTSTANDINGS. Whenever reference is made in this Agreement to the principal amount outstanding on any date under this Agreement, such reference shall refer to the aggregate principal amount of all Loans outstanding on such date under this Agreement after giving effect to all Extensions of Credit to be made on such date and the application of the proceeds thereof. At no time shall the outstanding principal amount of the Facility A Revolving Loans exceed the aggregate amount of the Facility A Revolving Commitment hereunder. References to the unused portion of the Facility A Revolving Commitments shall refer to the excess, if any, of the Facility A Revolving Commitments hereunder over the outstanding principal amount of the Facility A Revolving Loans; and references to the unused portion of any Lender's Facility A Revolving Commitment shall refer to such Lender's Percentage of the unused Facility A Revolving Commitments.

ARTICLE III
LOANS

(a) LOANS. The Borrower may request a Borrowing (other than a Conversion) by delivering a notice (a "NOTICE OF BORROWING") to the Administrative Agent no later than 12:00 noon (New York City time) on the third Business Day or, in the case of ABR Loans, on the first Business Day, prior to the date of the proposed Borrowing. The Administrative Agent shall give each Lender prompt notice of each Notice of Borrowing. Each Notice of Borrowing shall be in substantially the form of Exhibit A and shall specify the requested (i) date of such Borrowing, (ii) Type of Loans to be made in connection with such Borrowing, (iii) Interest Period, if any, for such Facility A Revolving Loans and (iv) amount of such Borrowing. Each proposed Borrowing shall conform to the requirements of Sections 3.03 and 3.04.

(b) Each Lender shall, before 12:00 noon (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's offices at 2 Penns Way, Suite 200, New Castle, DE 19270, in same day funds, such Lender's Percentage of such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article V, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address. Notwithstanding the foregoing, unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's Percentage of such Borrowing, the Administrative Agent may assume that such Lender has made such Percentage available to the Administrative Agent on the date of such Borrowing in accordance with the first sentence of this subsection (b), and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount.

(c) Any Lender may request that Loans made by it be evidenced by a Promissory Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Promissory Note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such Promissory Note and interest thereon shall at all times (including after assignment pursuant to Section 10.07) be represented by one or more Promissory Notes in such form payable to the order of the payee named therein (or, if such Promissory Note is a registered note, to such payee and its registered assigns).

SECTION 3.02. CONVERSION OF LOANS. The Borrower may from time to time Convert any Loan (or portion thereof) of any Type to one or more Loans of the same or any other Type by delivering a notice of such Conversion (a "NOTICE OF CONVERSION") to the Administrative Agent no later than 12:00 noon (New York City time) on (x) the third Business Day prior to the date of any proposed Conversion into a Eurodollar Rate Loan and (y) the first Business Day prior to the date of any proposed Conversion into an ABR Loan. The Administrative Agent shall give each Lender prompt notice of each Notice of Conversion. Each Notice of Conversion shall be in substantially the form of Exhibit B and shall specify (i) the requested date of such Conversion, (ii) the Type of, and Interest Period, if any, applicable to, the Loans (or portions thereof) proposed to be Converted, (iii) the requested Type of Loans to which such Loans (or portions thereof) are proposed to be Converted, (iv) the requested initial Interest Period, if any, to be applicable to the Loans resulting from such Conversion and (v) the aggregate amount of Loans (or portions thereof) proposed to be Converted. Each proposed Conversion shall be subject to the provisions of Sections 3.03 and 3.04.

SECTION 3.03. INTEREST PERIODS. The period between the date of each Eurodollar Rate Loan and the date of payment in full of such Loan shall be divided into successive periods of months ("INTEREST PERIODS") for purposes of computing interest applicable thereto. The initial Interest Period for each such Loan shall begin on the day such Loan is made, and each subsequent Interest Period shall begin on the last day of the immediately preceding Interest Period for such Loan. The duration of each Interest Period shall be 1, 2, 3, or 6 months, as the Borrower may, in accordance with Section 3.01 or 3.02, select; provided, however, that:

(i) the Borrower may not select any Interest Period for a Eurodollar Rate Loan that is (a) a Facility A Loan that ends after the Facility A Maturity Date or (b) a Facility B Loan that ends after the Facility B Maturity Date;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period.

SECTION 3.04. OTHER TERMS RELATING TO THE MAKING AND CONVERSION OF LOANS.

(a) Notwithstanding anything in Section 3.01 or 3.02 to the contrary:

(i) each Borrowing shall be in an aggregate amount not less than $5,000,000, or an integral multiple of $1,000,000 in excess thereof (or such lesser amount as shall be equal to the total amount of the Available Facility A Commitments on such date, after giving effect to all other Extensions of Credit to be made on such date), and shall consist of Loans of the same Type, having the same Interest Period and made or Converted on the same day by the Lenders ratably according to their respective Percentages;

(ii) at no time shall the number of Borrowings comprising Eurodollar Rate Loans outstanding hereunder be greater than ten (10);

(iii) no Eurodollar Rate Loan may be Converted on a date other than the last day of the Interest Period applicable to such Loan unless the corresponding amounts, if any, payable to the Lenders pursuant to Section 4.04(b) are paid contemporaneously with such Conversion;

(iv) if the Borrower shall either fail to give a timely Notice of Conversion pursuant to Section 3.02 in respect of any Loans or fail, in any Notice of Conversion that has been timely given, to select the duration of any Interest Period for Loans to be Converted into Eurodollar Rate Loans in accordance with Section 3.03, such Loans shall, on the last day of the then existing Interest Period therefor, automatically Convert into, or remain as, as the case may be, ABR Loans; and

(v) if, on the date of any proposed Conversion, any Event of Default or Default shall have occurred and be continuing, all Loans then outstanding shall, on such date, automatically Convert into, or remain as, as the case may be, ABR Loans.

(b) If any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Applicable Lending Office to perform its obligations hereunder to make, or to fund or maintain, Eurodollar Rate Loans hereunder, (i) the obligation of such Lender to make, or to Convert Loans into, Eurodollar Rate Loans for such Borrowing or any subsequent Borrowing from such Lender shall be forthwith suspended until the earlier to occur of the date upon which (A) such Lender shall cease to be a party hereto and (B) it is no longer unlawful for such Lender to make, fund or maintain Eurodollar Rate Loans, and (ii) if the maintenance of Eurodollar Rate Loans then outstanding through the last day of the Interest Period therefor would cause such Lender to be in violation of such law, regulation or assertion, the Borrower shall either prepay or Convert all Eurodollar Rate Loans from such Lender within five days after such notice. Promptly upon becoming aware that the circumstances that caused such Lender to deliver such notice no longer exist, such Lender shall deliver notice thereof to the Administrative Agent (but the failure to do so shall impose no liability upon such Lender). Promptly upon receipt of such notice from such Lender (or upon such Lender's assigning all of its Commitment, Loans, participation and other

rights and obligations hereunder pursuant to Section 10.07), the Administrative Agent shall deliver notice thereof to the Borrower and the Lenders and such suspension shall terminate.

(c) If the Required Lenders shall, at least one Business Day before the date of any requested Borrowing, notify the Administrative Agent that the Adjusted LIBO Rate for Eurodollar Rate Loans to be made in connection with such Borrowing will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurodollar Rate Loans for such Borrowing, or that they are unable to acquire funding in a reasonable manner so as to make available Eurodollar Rate Loans in the amount and for the Interest Period requested, or if the Administrative Agent shall determine that adequate and reasonable means do not exist to be able to determine the Adjusted LIBO Rate, then the right of the Borrower to select Eurodollar Rate Loans for such Borrowing and any subsequent Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist, and each Loan to be made or Converted in connection with such Borrowing shall be an ABR Loan.

(d) If any Lender shall have delivered a notice to the Administrative Agent described in Section 3.04(b), and if and so long as such Lender shall not have withdrawn such notice in accordance with said Section 3.04(b), the Borrower or the Administrative Agent may demand that such Lender assign in accordance with Section 10.07, to one or more banks or other financial institutions designated by the Borrower or the Administrative Agent (each a "Prospective Lender"), all (but not less than all) of such Lender's Commitment, Loans, participation and other rights and obligations hereunder; provided that any such demand by the Borrower during the continuance of an Event of Default or Default shall be ineffective without the consent of the Required Lenders. If, within 30 days following any such demand by the Administrative Agent or the Borrower, any such Prospective Lender so designated shall fail to consummate such assignment on terms reasonably satisfactory to such Lender, or the Borrower and the Administrative Agent shall have failed to designate any such Prospective Lender, then such demand by the Borrower or the Administrative Agent shall become ineffective, it being understood for purposes of this provision that such assignment shall be conclusively deemed to be on terms reasonably satisfactory to such Lender, and such Lender shall be compelled to consummate such assignment forthwith, if such Prospective Lender (i) shall agree to such assignment in substantially the form of the Lender Assignment attached hereto as Exhibit F and (ii) shall tender payment to such Lender in an amount equal to the full outstanding dollar amount accrued in favor of such Lender hereunder (as computed in accordance with the records of the Administrative Agent), including, without limitation, all accrued interest and fees and, to the extent not paid by the Borrower, any payments required pursuant to Section 4.04(b).

(e) Each Notice of Borrowing and Notice of Conversion shall be irrevocable and binding on the Borrower. In the case of any Borrowing which the related Notice of Borrowing or Notice of Conversion specifies is to be comprised of Eurodollar Rate Loans, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill, on or before the date specified in such Notice of Borrowing or Notice of Conversion for such Borrowing, the applicable conditions (if any) set forth in this Article III (other than failure pursuant to the provisions of Section 3.04(b) or (c) hereof) or in Article V, including any such loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender

to fund the Loan to be made by such Lender when such Loan, as a result of such failure, is not made on such date.

SECTION 3.05. REPAYMENT OF LOANS; INTEREST

(a) Principal. The Borrower shall repay the outstanding principal amount of the Facility A Loans on the Facility A Maturity Date (or such earlier date as may be required pursuant to Section 2.03 or 8.02) and shall repay the outstanding principal amount of the Facility B Loans on the Facility B Maturity Date (or such earlier date as may be required pursuant to Section 2.03 or 8.02). No installment of any Loan (other than Facility A Revolving Loans prior to the Conversion Date) may be reborrowed once repaid.

(b) Interest. The Borrower shall pay interest on the unpaid principal amount of each Loan owing to each Lender from the date of such Loan until such principal amount shall be paid in full, at the Applicable Rate for such Loan (except as otherwise provided in this subsection (b)), payable as follows:

(i) ABR Loans. If such Loan is an ABR Loan, interest thereon shall be payable quarterly in arrears on the last day of each March, June, September and December, on the date of any Conversion of such ABR Loan and on the date such ABR Loan shall become due and payable or shall otherwise be paid in full; provided that any amount of principal that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the Default Rate.

(ii) Eurodollar Rate Loans. If such Loan is a Eurodollar Rate Loan, interest thereon shall be payable on the last day of such Interest Period and, if the Interest Period for such Loan has a duration of more than three months, on that day of each third month during such Interest Period that corresponds to the first day of such Interest Period (or, if any such month does not have a corresponding day, then on the last day of such month); provided that any amount of principal that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the Default Rate.

ARTICLE IV
PAYMENTS, COMPUTATIONS AND YIELD PROTECTION

SECTION 4.01. PAYMENTS AND COMPUTATIONS.

(a) The Borrower shall make each payment hereunder and under the other Loan Documents not later than 2:00 p.m. (New York City time) on the day when due in Dollars to the Administrative Agent at its offices at 2 Penns Way, Suite 200, New Castle, DE 19270, in same day funds; any payment received after 3:00 p.m. (New York City time) shall be deemed to have been received at the start of business on the next succeeding Business Day, unless the Administrative Agent shall have received from, or on behalf of, the Borrower a Federal Reserve reference number with respect to such payment before 4:00 p.m. (New York City time). The

Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable to the Lenders, to the respective Lenders to which the same are payable, for the account of their respective Applicable Lending Offices, in each case to be applied in accordance with the terms of this Agreement. If and to the extent that any distribution of any payment from the Borrower required to be made to any Lender pursuant to the preceding sentence shall not be made in full by the Administrative Agent on the date such payment was received by the Administrative Agent, the Administrative Agent shall pay to such Lender, upon demand, interest on the unpaid amount of such distribution, at a rate per annum equal to the Federal Funds Effective Rate, from the date of such payment by the Borrower to the Administrative Agent to the date of payment in full by the Administrative Agent to such Lender of such unpaid amount. Upon the Administrative Agent's acceptance of a Lender Assignment and recording of the information contained therein in the Register pursuant to Section 10.07, from and after the effective date specified in such Lender Assignment, the Administrative Agent shall make all payments hereunder and under any Promissory Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Lender Assignment shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes the Administrative Agent and each Lender, if and to the extent payment owed to the Administrative Agent or such Lender, as the case may be, is not made when due hereunder (or, in the case of a Lender, under any Promissory Note held by such Lender), to charge from time to time against any or all of the Borrower's accounts with the Administrative Agent or such Lender, as the case may be, any amount so due.

(c) All computations of interest based on the Alternate Base Rate (when the Alternate Base Rate is based on the Prime Rate) shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be. All other computations of interest and fees hereunder (including computations of interest based on the Adjusted LIBO Rate and the Federal Funds Effective Rate) shall be made by the Administrative Agent on the basis of a year of 360 days. In each such case, such computation shall be made for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each such determination by the Administrative Agent or a Lender shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under any other Loan Document shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest and fees hereunder; provided, however, that if such extension would cause payment of interest on or principal of Eurodollar Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day and such reduction of time shall in such case be included in the computation of payment of interest hereunder.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the

Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, such Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender, together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Effective Rate.

(f) Any amount payable by the Borrower hereunder or under any of the Promissory Notes that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall (to the fullest extent permitted by law) bear interest, from the date when due until paid in full, at a rate per annum equal at all times to the Default Rate, payable on demand.

(g) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied, subject to Section 4.07, (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal then due hereunder, ratably among the parties entitled thereto.

SECTION 4.02. INTEREST RATE DETERMINATION. The Administrative Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 3.05(b)(i) or (ii).

SECTION 4.03. PREPAYMENTS. The Borrower shall have no right to prepay any principal amount of any Loans other than as follows:

(a) The Borrower may (and shall provide notice thereof to the Administrative Agent not later than 10:00 a.m. (New York City time) on the date of prepayment, and the Administrative Agent shall promptly distribute copies thereof to the Lenders), and if such notice is given, the Borrower shall, prepay the outstanding principal amounts of Loans made as part of the same Borrowing, in whole or ratably in part, together with (i) accrued interest to the date of such prepayment on the principal amount prepaid and (ii) in the case of Eurodollar Rate Loans, any amount payable to the Lenders pursuant to Section 4.04(b); provided, however, that (a) each partial prepayment shall be in an aggregate principal amount of not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof and (b) the Borrower shall not prepay any Facility B Loans unless and until all Facility A Loans have been prepaid in full in cash.

(b) On the date of any termination or optional or mandatory reduction of the Facility A Revolving Commitments pursuant to Section 2.03, the Borrower shall pay or prepay the principal outstanding on the Facility A Revolving Loans in full in cash in an amount equal to the excess of (i) the sum of the aggregate principal amount of the Facility A Revolving Loans outstanding (after giving effect to all Extensions of Credit to be made on such date and the application of the proceeds thereof) over (ii) the aggregate amount of the Facility A Revolving Commitments (following such termination or reduction, if any), together with (x) accrued interest to the date of such prepayment on the principal amount repaid and (y) in the case of prepayments of Eurodollar Rate Loans, any amount payable to the Lenders pursuant to Section

4.04(b). Any payments and prepayments required by this subsection (b) shall be applied to outstanding ABR Loans up to the full amount thereof before they are applied to outstanding Eurodollar Rate Loans.

SECTION 4.04. YIELD PROTECTION.

(a) Increased Costs. If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation after the Closing Date, or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) issued or made after the Closing Date, there shall be reasonably incurred any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans, then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost and giving a reasonable explanation thereof, submitted to the Borrower and the Administrative Agent by such Lender shall constitute such demand and shall be conclusive and binding for all purposes, absent manifest error.

(b) Breakage. If, due to any prepayment pursuant to Section 4.03, an acceleration of maturity of the Loans pursuant to Section 8.02, or any other reason, any Lender receives payments of principal of any Eurodollar Rate Loan other than on the last day of the Interest Period relating to such Loan or if the Borrower shall Convert any Eurodollar Rate Loans on any day other than the last day of the Interest Period therefor, or if the Borrower shall fail to prepay a Eurodollar Rate Loan on the date specified in a notice of prepayment, the Borrower shall, promptly after demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for additional losses, costs, or expenses (including anticipated lost profits) that such Lender may reasonably incur as a result of such payment, Conversion or failure to prepay, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Loan. For purposes of this subsection (b), a certificate setting forth the amount of such additional losses, costs, or expenses and giving a reasonable explanation thereof, submitted to the Borrower and the Administrative Agent by such Lender, shall constitute such demand and shall be conclusive and binding for all purposes, absent manifest error.

(c) Capital. If any Lender determines that (i) compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender, whether directly, or indirectly as a result of commitments of any corporation controlling such Lender (but without duplication), and (ii) the amount of such capital is increased by or based upon (A) the existence of such Lender's commitment to lend hereunder, or (B) the issuance or maintenance of any Loan and (C) other similar such commitments, then, upon demand by such Lender, the Borrower shall immediately pay to the Administrative Agent for the account of such Lender from time to time as specified by such Lender additional amounts sufficient to compensate such Lender in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to

be allocable to the transactions contemplated hereby. A certificate as to such amounts and giving a reasonable explanation thereof (to the extent permitted by law), submitted to the Borrower and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(d) Notices. Each Lender hereby agrees to use its best efforts to notify the Borrower of the occurrence of any event referred to in subsection (a), (b) or (c) of this Section 4.04 promptly after becoming aware of the occurrence thereof. The failure of any Lender to provide such notice or to make demand for payment under said subsection shall not constitute a waiver of such Lender's rights hereunder; provided that, notwithstanding any provision to the contrary contained in this Section 4.04, the Borrower shall not be required to reimburse any Lender for any amounts or costs incurred under subsection (a), (b) or (c) above, more than 90 days prior to the date that such Lender notifies the Borrower in writing thereof, in each case unless, and to the extent that, any such amounts or costs so incurred shall relate to the retroactive application of any event notified to the Borrower which entitles such Lender to such compensation. If any Lender shall subsequently determine that any amount demanded and collected under this Section 4.04 was done so in error, such Lender will promptly return such amount to the Borrower.

(e) Survival of Obligations. Subject to subsection (d) above, the Borrower's obligations under this Section 4.04 shall survive the repayment of all other amounts owing to the Lenders and the Agents under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Borrower under this Section 4.04 are unenforceable for any reason, the Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION 4.05. SHARING OF PAYMENTS, ETC. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Loans owing to it (other than pursuant to Section 4.04 or Section 4.06) in excess of its ratable share of payments obtained by all the Lenders on account of the Loans of such Lenders, such Lender shall forthwith purchase from the other Lenders such participation in the Loans owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 4.05 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. Notwithstanding the foregoing, if any Lender shall obtain any such excess payment involuntarily, such Lender may, in lieu of purchasing participations from the other Lenders in accordance with this Section 4.05, on the date of receipt of such excess payment, return such excess payment to the Administrative Agent for distribution in accordance with Section 4.01(a).

SECTION 4.06. TAXES.

(a) All payments by the Borrower hereunder and under the other Loan Documents shall be made in accordance with Section 4.01, free and clear of and without deduction for all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and each Agent, taxes imposed on its overall net income, and franchise taxes imposed on it by the jurisdiction under the laws of which such Lender or Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "TAXES"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.06) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under any other Loan Document or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as "OTHER TAXES").

(c) The Borrower will indemnify each Lender and Agent for the full amount of Taxes and Other Taxes (including any Taxes and any Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.06) paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within thirty (30) days from the date such Lender or Agent (as the case may be) makes written demand therefor; provided, that such Lender or Agent (as the case may be) shall not be entitled to demand payment under this Section 4.06 for an amount if such demand is not made within one year following the date upon which such Lender or Agent (as the case may be) shall have been required to pay such amount.

(d) Within thirty (30) days after the date of any payment of Taxes, the Borrower will furnish to the Administrative Agent, at its address referred to in Section 10.02, the original or a certified copy of a receipt evidencing payment thereof.

(e) Each Bank represents and warrants that either (i) it is organized under the laws of a jurisdiction within the United States or (ii) it has delivered to the Borrower or the Administrative Agent duly completed copies of such form or forms prescribed by the United States Internal Revenue Service indicating that such Bank is entitled to receive payments without deduction or withholding of any United States federal income taxes, as permitted by the Internal

Revenue Code of 1986, as amended. Each other Lender agrees that, on or prior to the date upon which it shall become a party hereto, and upon the reasonable request from time to time of the Borrower or the Administrative Agent, such Lender will deliver to the Borrower and the Administrative Agent (to the extent that it is not prohibited by law from doing so) either (A) a statement that it is organized under the laws of a jurisdiction within the United States or (B) duly completed copies of such form or forms as may from time to time be prescribed by the United States Internal Revenue Service, indicating that such Lender is entitled to receive payments without deduction or withholding of any United States federal income taxes, as permitted by the Internal Revenue Code of 1986, as amended. Each Bank that has delivered, and each other Lender that hereafter delivers, to the Borrower and the Administrative Agent the form or forms referred to in the two preceding sentences further undertakes to deliver to the Borrower and the Administrative Agent, to the extent that it is not prohibited by law from doing so, further copies of such form or forms, or successor applicable form or forms, as the case may be, as and when any previous form filed by it hereunder shall expire or shall become incomplete or inaccurate in any respect. Each Lender represents and warrants that each such form supplied by it to the Administrative Agent and the Borrower pursuant to this subsection (e), and not superseded by another form supplied by it, is or will be, as the case may be, complete and accurate.

SECTION 4.07. APPORTIONMENT OF PAYMENTS.

(a) Subject to the provisions of Section 2.03 and Section 4.07(b), all payments of principal and interest in respect of outstanding Loans, all payments of fees and all other payments in respect of any other Obligations hereunder, shall be allocated among such of the Lenders as are entitled thereto, ratably or otherwise as expressly provided herein. Except as provided in Section 4.07(b) with respect to payments and proceeds of Collateral received after the occurrence of an Event of Default, all such payments and any other amounts received by the Administrative Agent from or for the benefit of the Borrower shall be applied

(i) first, to pay principal of and interest on any portion of the Loans which the Administrative Agent may have advanced on behalf of any Lender other than CUSA for which the Administrative Agent has not then been reimbursed by such Lender or the Borrower,

(ii) second, to pay interest on the Facility A Loans and the interest on the Facility B Loans, and then the principal of the Facility A Loans and the principal of the Facility B Loans, in each case, then due and payable (in the order described hereinbelow),

(iii) third, to pay all other Obligations of any Loan Party under any Loan Document then due and payable, ratably, and

(iv) fourth, as the Borrower so designates.

All amounts applied in respect of Facility A Loans shall be deemed to be applied first to Facility A Revolving Loans (and shall permanently reduce on a ratable basis the Facility A Revolving Commitment of each Lender) or any Facility A Loans following the Conversion Date that re-evidence such Facility A Revolving Loans, and thereafter all other Facility A Loans. All such

principal and interest payments in respect of the Loans shall be applied first to repay outstanding ABR Loans and then to repay outstanding Eurodollar Rate Loans with those Eurodollar Rate Loans which have earlier expiring Interest Periods being repaid prior to those which have later expiring Interest Periods

(b) During the continuance of an Event of Default and after declaration thereof by written notice from the Administrative Agent to the Borrower, the Administrative Agent shall apply all payments in respect of any Loans, and the Collateral Agent shall deliver all proceeds of Collateral to the Administrative Agent for application, in the following order:

(i) first, to pay principal of and interest on any portion of the Loans which the Administrative Agent may have advanced on behalf of any Lender other than CUSA for which the Administrative Agent has not then been reimbursed by such Lender or the Borrower;

(ii) second, to pay any fees, expense reimbursements or indemnities then due to the Agents under any of the Loan Documents;

(iii) third, to pay any fees, expense reimbursements or indemnities then due to the Lenders under any of the Loan Documents;

(iv) fourth, to pay interest due in respect of the Facility A Loans and the interest in respect of the Facility B Loans, in each case, ratably, in accordance with the Lenders' respective Percentages;

(v) fifth, to the payment or prepayment of principal outstanding on all Facility A Loans and then on all Facility B Loans;

(vi) sixth, to the ratable payment of all other Obligations of the Loan Parties then outstanding under the Loan Documents.

Notwithstanding the foregoing, if the obligations under the Enterprises 2003 Credit Agreement shall not have been paid in full, the Collateral Agent shall apply the proceeds of any voluntary sale of Collateral (other than Collateral in respect of which the Collateral Agent and/or the Administrative Agent shall have a prior security interest on behalf of the Lenders hereunder) as contemplated by the Enterprises 2003 Credit Agreement unless an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds. The order of priority set forth in this Section 4.07(b) and the related provisions of this Agreement are set forth solely to determine the rights and priorities of the Agents and the Lenders as among themselves.

SECTION 4.08. Proceeds of Collateral. During the continuance of an Event of Default and after declaration thereof by written notice from the Administrative Agent to the Borrower, the Borrower shall cause all proceeds of Collateral (other than Collateral in respect of which the Collateral Agent and/or the Administrative Agent shall have a prior security interest on behalf of the Lenders hereunder) to be deposited pursuant to arrangements for the collection of such amounts established by the Borrower and the Administrative Agent (or the Collateral Agent, as

applicable) for application pursuant to Section 4.07 or, unless an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds, as otherwise required under the Enterprises 2003 Credit Agreement so long as such agreements shall be in effect. All collections of proceeds of Collateral which are received directly by the Borrower or any Subsidiary of the Borrower shall be deemed to have been received by the Borrower or such Subsidiary of the Borrower as the Collateral Agent's trustee and, during the continuance of an Event of Default and after declaration thereof by written notice from the Administrative Agent to the Borrower, upon the Borrower's or such Subsidiary's receipt thereof, the Borrower shall immediately transfer or cause to be transferred all such amounts to the Administrative Agent for application pursuant to Section 4.07 or, unless an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds, as otherwise required under the Enterprises 2003 Credit Agreement so long as such agreements shall be in effect. All other proceeds of Collateral received by the Collateral Agent and/or the Administrative Agent, whether through direct payment or otherwise, will be deemed received by such Agent, will be the sole property of such Agent, and will be held by such Agent, for the benefit of the Lenders for application pursuant to Section 4.07 or, unless an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the noncompliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds, as otherwise required under the Enterprises 2003 Credit Agreement so long as such agreements shall be in effect.

ARTICLE V
CONDITIONS PRECEDENT

SECTION 5.01. CONDITIONS PRECEDENT TO THE EFFECTIVENESS OF THIS AGREEMENT. The effectiveness of this Agreement is subject to the fulfillment of the following conditions precedent:

(a) The Administrative Agent shall have received, on or before the Closing Date, the following, in form and substance satisfactory to each Lender (except where otherwise specified below) and (except for any Promissory Notes) in sufficient copies for each Lender:

(i) Certified copies of the resolutions of the Board of Directors, or of the Executive Committee of the Board of Directors (or persons performing similar functions), of the Borrower, each Guarantor and each other Grantor (each a "LOAN PARTY") authorizing each such Loan Party to enter into each Loan Document to which it is, or is to be, a party, and of all documents evidencing other necessary corporate or other action and Governmental Approvals, if any, with respect to each such Loan Document.

(ii) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names, true signatures and incumbency of (A) the officers of such Loan Party authorized to sign the Loan Documents to which it is, or is to be, a party, and the other documents to be delivered hereunder and thereunder and (B) the representatives of

such Loan Party authorized to sign notices to be provided under the Loan Documents to which it is, or is to be, a party, which representatives shall be acceptable to the Administrative Agent.

(iii) Copies of the Certificate of Incorporation and by-laws (or comparable constitutive documents) of each Loan Party, together with all amendments thereto, certified by the Secretary or an Assistant Secretary of each such Loan Party.

(iv) Good Standing Certificates (or other similar certificate) for each of the Loan Parties, issued by the Secretary of State of the jurisdiction of organization of each such Loan Party as of a recent date.

(v) The Guaranty, duly executed by each Guarantor.

(vi) The Pledge Agreements, duly executed by the Borrower and each Grantor, as applicable.

(vii) A certified copy of Schedule I hereto, in form and substance reasonably satisfactory to the Administrative Agent setting forth:

(A) all Project Finance Debt of the Consolidated Subsidiaries, together with the Borrower's Ownership Interest in each such Consolidated Subsidiary, as of February 28, 2003; and

(B) debt (as such term is construed in accordance with GAAP) of the Loan Parties as of February 28, 2003.

(viii) A certificate, executed by a duly authorized officer of the Borrower, (a) confirming that attached thereto is a true, correct and complete copy of the Enterprises 2003 Credit Agreement, as in effect on the Closing Date and (b) certifying that as of December 31, 2002 the Borrower was in compliance with the requirements of Section 4.4 of the AIG Pledge Agreement (which certificate shall set forth in reasonable detail the calculations upon which the Borrower determined such compliance).

(ix) Favorable opinions of:

(A) Belinda Foxworth, Esq., Deputy General Counsel of the Borrower and counsel for the other Loan Parties, in substantially the form of Exhibit C and as to such other matters as the Required Lenders, through the Administrative Agent, may reasonably request; and

(B) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Loan Parties in substantially the form of Exhibit D and as to such other matters as the Administrative Agent may reasonably request.

(x) Duly executed copies of a Reaffirmation in the form of Attachment A attached hereto from each of the Borrower's Subsidiaries identified thereon.

(b) The following statements shall be true and the Administrative Agent shall have received a certificate of a duly authorized officer of the Borrower, dated the Closing Date and in sufficient copies for each Lender stating that:

(i) the representations and warranties set forth in Section 6.01 of this Agreement are true and correct on and as of the Closing Date as though made on and as of such date,

(ii) no event has occurred and is continuing that constitutes a Default or an Event of Default, and

(iii) all Governmental Approvals necessary in connection with the Loan Documents and the transactions contemplated thereby have been obtained and are in full force and effect, and all third party approvals necessary or advisable in connection with the Loan Documents and the transactions contemplated thereby have been obtained and are in full force and effect, other than filings necessary to create or perfect security interests in the Collateral or as may be required under applicable energy, antitrust or securities laws in connection with the exercise of remedies with respect to certain Collateral.

(c) The Administrative Agent shall have received evidence satisfactory to it that all financing statements relating to the Collateral have been completed for filing or recording and/or filed, and all certificates representing capital stock or other ownership interests included in the Collateral have been delivered to the Collateral Agent (with duly executed stock powers).

SECTION 5.02. CONDITIONS PRECEDENT TO EACH EXTENSION OF CREDIT. The obligation of each Lender to make an Extension of Credit (including the initial Extension of Credit, but excluding the Conversion of a Eurodollar Rate Loan into an ABR Loan) shall be subject to the further conditions precedent that, on the date of such Extension of Credit and after giving effect thereto:

(a) The following statements shall be true (and each of the giving of the applicable notice or request with respect thereto and the making of such Extension of Credit without prior correction by the Borrower shall (to the extent that such correction has been previously consented to by the Lenders) constitute a representation and warranty by the Borrower that, on the date of such Extension of Credit, such statements are true):

(i) the representations and warranties contained in Section 6.01 of this Agreement (other than those contained in subsections (e)(iii) and (f) thereof) are correct on and as of the date of such Extension of Credit, before and after giving effect to such Extension of Credit and to the application of the proceeds thereof, as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such Extension of Credit or the application of the proceeds thereof.

(b) The Administrative Agent shall have received such other approvals, opinions and documents as any Lender, through the Administrative Agent, may reasonably

request as to the legality, validity, binding effect or enforceability of the Loan Documents or the business, assets, property, financial condition, results of operations or prospects of the Borrower and its Consolidated Subsidiaries.

SECTION 5.03. CONDITIONS PRECEDENT TO CERTAIN EXTENSIONS OF CREDIT. The obligation of each Lender to make an Extension of Credit (including the initial Extension of Credit) that would (after giving effect to all Extensions of Credit on such date and the application of proceeds thereof) increase the principal amount outstanding hereunder, shall be subject to the further conditions precedent that, on the date of such Extension of Credit and after giving effect thereto:

(a) the following statements shall be true (and each of the giving of the applicable notice or request with respect thereto and the making of such Extension of Credit without prior correction by the Borrower shall (to the extent that such correction has been previously consented to by the Lenders) constitute a representation and warranty by the Borrower that, on the date of such Extension of Credit, such statements are true):

(i) the representations and warranties contained in subsections (e)(iii) and (f) of Section 6.01 of this Agreement are correct on and as of the date of such Extension of Credit, before and after giving effect to such Extension of Credit and to the application of the proceeds thereof, as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such Extension of Credit or the application of the proceeds thereof; and

(b) the Administrative Agent shall have received such other approvals, opinions and documents as any Lender, through the Administrative Agent, may reasonably request.

SECTION 5.04. RELIANCE ON CERTIFICATES. The Lenders and each Agent shall be entitled to rely conclusively upon the certificates delivered from time to time by officers of the Borrower as to the names, incumbency, authority and signatures of the respective persons named therein until such time as the Administrative Agent may receive a replacement certificate, in form acceptable to the Administrative Agent, from an officer of such Person identified to the Administrative Agent as having authority to deliver such certificate, setting forth the names and true signatures of the officers and other representatives of such Person thereafter authorized to act on behalf of such Person.

SECTION 5.05. CONDITION PRECEDENT TO THE INITIAL EXTENSION OF CREDIT. The obligation of each Lender to make its initial Extension of Credit is subject to the fulfillment of the following conditions precedent:

(a) The Borrower shall have paid all fees under or referenced in Section 2.02(b) and all expenses referenced in Section 10.04(a), in each case to the extent then due and payable.

(b) The Administrative Agent shall have received, on or before the day of the initial Extension of Credit, in form and substance satisfactory to it with sufficient copies for each Lender:

(i) A certificate, executed by the chief executive officer and the chief financial officer of the Borrower and Consumers, as applicable, in favor of the Agents and the Lenders with respect to the financial statements described in Section 6.01(e)(i) and (ii) certifying that such financial statements have been prepared in accordance with GAAP (except for changes resulting from any Restatement Event) and are true and correct as of the date of such certificate;

(ii) Copies of the financial statements of the Borrower and Consumers described in Section 6.01(e)(i) and (ii); and

(iii) Copies of the Borrower's Annual Report on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

SECTION 6.01. REPRESENTATIONS AND WARRANTIES OF THE BORROWER. The Borrower represents and warrants as follows:

(a) Each of the Borrower, Consumers and each of the Restricted Subsidiaries is duly organized, validly existing and in good standing under the laws of the state of its organization and is duly qualified to do business in, and is in good standing in, all other jurisdictions where the nature of its business or the nature of property owned or used by it makes such qualification necessary.

(b) The execution, delivery and performance by each Loan Party of each Loan Document to which it is or will be a party (i) are within such Loan Party's powers, (ii) have been duly authorized by all necessary corporate or other organizational action or proceedings and (iii) do not and will not (A) require any consent or approval of the stockholders (or other applicable holder of equity) of such Loan Party (other than such consents and approvals which have been obtained and are in full force and effect), (B) violate any provision of the charter or by-laws (or other comparable constitutive documents) of such Loan Party or of law, (C) violate any legal restriction binding on or affecting such Loan Party, (D) result in a breach of, or constitute a default under, any indenture or loan or credit agreement or any other agreement, lease or instrument to which such Loan Party is a party or by which it or its properties may be bound or affected, or (E) result in or require the creation of any Lien (other than pursuant to the Loan Documents and pursuant to the "Loan Documents" as defined in the Enterprises 2003 Credit Agreement) upon or with respect to any of its respective properties.

(c) No Governmental Approval is required, other than filings necessary to create or perfect security interests in the Collateral or as may be required under applicable energy, antitrust or securities laws in connection with the exercise of remedies with respect to certain Collateral.

(d) Each Loan Document executed on the Closing Date is, and each other Loan Document to which any Loan Party will be a party when executed and delivered hereunder will (i) where applicable, create valid and, upon filing of the financing statements delivered on the Closing Date and described in Section 5.01(c), perfected Liens in the Collateral covered

thereby securing the payment of all of the Loans purported to be secured thereby, which Liens (x) with respect to all Collateral subject to a Lien under the AIG Pledge Agreement shall be first perfected Liens and (y) with respect to all other Collateral shall be pari-passu with any Liens thereon securing the Borrower's guaranty of Enterprises' obligations under the Enterprises 2003 Credit Agreement, and (ii) be, legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their respective terms; subject to the qualification, however, that the enforcement of the rights and remedies herein and therein is subject to bankruptcy and other similar laws of general application affecting rights and remedies of creditors and the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

(e) (i) The consolidated balance sheets of the Borrower and its Consolidated Subsidiaries as at December 31, 2001 and December 31, 2002, and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Consolidated Subsidiaries for the fiscal years then ended, included in the Borrower's Annual Report on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002, in each case as such financial statements are proposed to be restated in connection with the Restatement, copies of each of which have been furnished to each Lender, fairly present the financial condition of the Borrower and its Consolidated Subsidiaries as at such dates and the results of operations of the Borrower and its Consolidated Subsidiaries for the periods ended on such dates (it being understood that such financial statements do not give effect to any Restatement Event), all in accordance with generally accepted accounting principles consistently applied (except for changes resulting from any Restatement Event); (ii) the consolidated balance sheets of Consumers and its consolidated Subsidiaries as at December 31, 2001 and December 31, 2002, and the related consolidated statements of income, retained earnings and cash flows of Consumers and its consolidated Subsidiaries for the fiscal years then ended, included in the Borrower's Annual Report on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002, in each case as such financial statements are proposed to be restated in connection with the Restatement, copies of each of which have been furnished to each Lender, fairly present the financial condition of Consumers and its consolidated Subsidiaries as at such dates and the results of operations of Consumers and its consolidated Subsidiaries for the periods ended on such dates (it being understood that such financial statements do not give effect to any Restatement Event), all in accordance with generally accepted accounting principles consistently applied (except for changes resulting from any Restatement Event); (iii) since December 31, 2002, except as disclosed in the Borrower's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, there has been no Material Adverse Change; and (iv) except as a result of any Restatement Event, no Loan Party has any material liabilities or obligations except as reflected in the foregoing financial statements and in Schedule I, as evidenced by the Loan Documents and as may be incurred, in accordance with the terms of this Agreement, in the ordinary course of business (as presently conducted) following the Closing Date.

(f) Except (i) as disclosed in the Borrower's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, and (ii) such other similar actions, suits and proceedings predicated on the occurrence of the same events giving rise to any actions, suits and proceedings described in the Annual Report filed with the Securities and Exchange Commission set forth in clause (i) above (all such matters in clauses (i) and (ii) being the "Disclosed Matters") and (iii) any Restatement Event, there are no pending or threatened actions, suits or

proceedings against or, to the knowledge of the Borrower, affecting the Borrower or any of its Subsidiaries or the properties of the Borrower or any of its Subsidiaries before any court, governmental agency or arbitrator, that would, if adversely determined, reasonably be expected to materially adversely affect the financial condition, properties, business or operations of the Borrower and its Subsidiaries, considered as a whole, or affect the legality, validity or enforceability of this Agreement or any other Loan Document. There have been no adverse developments with respect to the Disclosed Matters that have had or could reasonably be expected to result in a Material Adverse Change.

(g) All insurance required by Section 7.01(b) is in full force and effect.

(h) No Plan Termination Event has occurred nor is reasonably expected to occur with respect to any Plan of the Borrower or any of its ERISA Affiliates which would result in a material liability to the Borrower, except as disclosed and consented to by the Required Lenders in writing from time to time. Except as disclosed in the Borrower's Annual Report on Form 10-K for the period ended December 31, 2002, since the date of the most recent Schedule B (Actuarial Information) to the annual report of the Borrower (Form 5500 Series), if any, there has been no material adverse change in the funding status of the Plans referred therein and no "prohibited transaction" has occurred with respect thereto which is reasonably expected to result in a material liability to the Borrower. Neither the Borrower nor any of its ERISA Affiliates has incurred nor reasonably expects to incur any material withdrawal liability under ERISA to any Multiemployer Plan, except as disclosed and consented to by the Required Lenders in writing from time to time.

(i) No fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (except for any such circumstance, if any, which is covered by insurance which coverage has been confirmed and not disputed by the relevant insurer) affecting the properties, business or operations of the Borrower, Consumers or any Restricted Subsidiary has occurred that could reasonably be expected to have a material adverse effect on the business, assets, property, financial condition, results of operations or prospects of (A) the Borrower and its Subsidiaries, considered as a whole, or (B) Consumers and its Subsidiaries, considered as a whole.

(j) The Borrower and its Subsidiaries have filed all tax returns (Federal, state and local) required to be filed and paid all taxes shown thereon to be due, including interest and penalties, or, to the extent the Borrower or any of its Subsidiaries is contesting in good faith an assertion of liability based on such returns, has provided adequate reserves for payment thereof in accordance with GAAP.

(k) No extraordinary judicial, regulatory or other legal constraints exist which limit or restrict Consumers' ability to declare or pay cash dividends with respect to its capital stock, other than pursuant to the Consumers Credit Facility.

(l) The Borrower owns not less than 80% of the outstanding shares of common stock of Enterprises.

(m) The Borrower owns not less than 80% of the outstanding shares of common stock of Consumers.

(n) The Consolidated 2002-2007 Projections of Consumers, Enterprises and the Borrower (the "PROJECTIONS") are based upon assumptions that the Borrower believed were reasonable at the time the Projections were delivered, and all other financial information delivered by the Borrower to the Administrative Agent and the Banks on and after March 30, 2003 is true and correct in all material respects as at the dates and for the periods indicated therein (it being understood that such Projections and financial information do not give effect to any Restatement Event).

(o) No Loan Party is engaged in the business of extending credit for the purpose of buying or carrying margin stock (within the meaning of Regulation U issued by the Board), and no proceeds of any Loan will be used to buy or carry any margin stock or to extend credit to others for the purpose of buying or carrying any margin stock.

(p) No Loan Party is an investment company (within the meaning of the Investment Company Act of 1940, as amended).

(q) No proceeds of any Extension of Credit will be used to acquire any security in any transaction without the approval of the board of directors of the Person issuing such security if (i) the acquisition of such security would cause the Borrower to own, directly or indirectly, 5.0% or more of any outstanding class of securities issued by such Person, or (ii) such security is being acquired in connection with a tender offer.

(r) Following application of the proceeds of each Extension of Credit, not more than 25 percent of the value of the assets of the Borrower and its Subsidiaries on a consolidated basis will be margin stock (within the meaning of Regulation U issued by the Board).

(s) No Loan Party is a registered "holding company" or a "subsidiary" or an "affiliate" of a registered "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, 15 USC 79 et seq.

(t) The Borrower has not withheld any fact from the Administrative Agent or the Lenders in regard to the occurrence of any Material Adverse Change.

(u) After giving effect to the Loans to be made on the Initial Funding Date or such other date as Loans requested hereunder are made, and the disbursement of the proceeds of such Loans pursuant to the Borrower's instructions, the Borrower and its Subsidiaries, taken as a whole, are Solvent.

(v) Schedule I sets forth as of February 28, 2003 (i) all Project Finance Debt of the Consolidated Subsidiaries, and (ii) debt (as such term is construed in accordance with GAAP) of the Loan Parties, and, as of the Closing Date, there are no defaults in the payment of principal or interest on any such Debt and no payments thereunder have been deferred or extended beyond their stated maturity (except as disclosed on such Schedule).

ARTICLE VII
COVENANTS OF THE BORROWER

SECTION 7.01. AFFIRMATIVE COVENANTS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid, or any Lender shall have any Commitment:

(a) Payment of Taxes, Etc. The Borrower shall pay and discharge, and each of its Subsidiaries shall pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges, royalties or levies imposed upon it or upon its property except, in the case of taxes, to the extent the Borrower or any Subsidiary, as the case may be, is contesting the same in good faith and by appropriate proceedings and has set aside adequate reserves for the payment thereof in accordance with GAAP.

(b) Maintenance of Insurance. The Borrower shall maintain, and each of its Restricted Subsidiaries and Consumers shall maintain, insurance covering the Borrower, each of its Restricted Subsidiaries, Consumers and their respective properties in effect at all times in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general geographical area in which the Borrower, its Restricted Subsidiaries and Consumers operates, either with reputable insurance companies or, in whole or in part, by establishing reserves of one or more insurance funds, either alone or with other corporations or associations.

(c) Preservation of Existence, Etc. Except as otherwise permitted by Section 7.02, the Borrower shall preserve and maintain, and each of its Restricted Subsidiaries and Consumers shall preserve and maintain, its corporate or limited liability company existence, material rights (statutory and otherwise) and franchises, and take such other action as may be necessary or advisable to preserve and maintain its right to conduct its business in the states where it shall be conducting its business.

(d) Compliance with Laws, Etc. The Borrower shall comply, and each of its Restricted Subsidiaries and Consumers shall comply, in all material respects with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, including any such laws, rules, regulations and orders relating to zoning, environmental protection, use and disposal of Hazardous Substances, land use, construction and building restrictions, and employee safety and health matters relating to business operations.

(e) Inspection Rights. Subject to the requirements of laws or regulations applicable to the Borrower or its Subsidiaries, as the case may be, and in effect at the time, at any time and from time to time upon reasonable notice, the Borrower shall permit (i) each Agent and its agents and representatives to examine and make copies of and abstracts from the records and books of account of, and the properties of, the Borrower or any of its Subsidiaries and (ii) each Agent, each of the Lenders, and their respective agents and representatives to discuss the affairs, finances and accounts of the Borrower and its Subsidiaries with the Borrower and its Subsidiaries and their respective officers, directors and accountants. Each such visitation and inspection described in the preceding sentence by or on behalf of any Lender shall, unless

occurring at a time when a Default or Event of Default shall be continuing, be at such Lender's expense; all other such inspections and visitations shall be at the Borrower's expense.

(f) Keeping of Books. From and after December 31, 2002, the Borrower shall keep, and each of its Subsidiaries shall keep, proper records and books of account, in which full and correct entries shall be made of all financial transactions of the Borrower and its Subsidiaries and the assets and business of the Borrower and its Subsidiaries, in accordance with GAAP (except as related to the Restatement).

(g) Maintenance of Properties, Etc. The Borrower shall maintain, and each of its Restricted Subsidiaries shall maintain, in substantial conformity with all laws and material contractual obligations, good and marketable title to all of its properties which are used or useful in the conduct of its business; provided, however, that the foregoing shall not restrict the sale of any asset of the Borrower or any Restricted Subsidiary to the extent not prohibited by Section 7.02(i). In addition, the Borrower shall preserve, maintain, develop, and operate, and each of its Subsidiaries shall preserve, maintain, develop and operate, in substantial conformity with all laws and material contractual obligations, all of its material properties which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Use of Proceeds. The Borrower shall use all Extensions of Credit for general corporate purposes (subject to the terms and conditions of this Agreement).

(i) Consolidated Leverage Ratio. The Borrower shall maintain, as of the last day of each fiscal quarter (in each case, the "MEASUREMENT QUARTER"), a maximum ratio of (i) Consolidated Debt for the immediately preceding four-fiscal-quarter period ending on the last day of such Measurement Quarter (calculated exclusive of Panhandle and its Subsidiaries), to (ii) Consolidated EBITDA for such period (calculated exclusive of Panhandle and its Subsidiaries), of not more than 7.00 to 1.00, commencing with the period ending June 30, 2003.

(j) Cash Dividend Coverage Ratio. The Borrower shall maintain, as of the last day of each Measurement Quarter, a minimum ratio of (i) the sum of (A) Cash Dividend Income for the four-fiscal-quarter period ending on such day, plus (B) 25% of the amount of Equity Distributions received by the Borrower during such period but in no event in excess of $10,000,000 to (ii) an amount equal to (A) interest expense (excluding all arrangement, underwriting and other similar fees payable in connection with this Agreement and the Enterprises 2003 Credit Agreement) accrued by the Borrower in respect of all Debt during such period, minus (B) cash interest income received by the Borrower and its Subsidiaries from Persons other than the Borrower or any of its Subsidiaries, minus (C) all amounts received by the Borrower from its Subsidiaries and Affiliates during such period constituting reimbursement of interest expense and commitment, guaranty and letter of credit charges of the Borrower to such Subsidiary or Affiliate, of not less than 1.20 to 1.00, commencing with the Measurement Quarter ending on June 30, 2003; provided, that the Borrower shall be deemed not to be in breach of the foregoing covenant if, during the Measurement Quarter, it has permanently reduced the principal amount outstanding under this Agreement and the Promissory Notes, such that the amount determined pursuant to clause (ii) above, when recalculated on a pro forma basis assuming that the amount of such reduced principal amount outstanding under such agreements and promissory

notes were in effect at all times during such four-fiscal-quarter period, would result in the Borrower being in compliance with such ratio.

(k) Further Assurances. The Borrower shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that any Lender through the Administrative Agent may reasonably request in order to give effect to the transactions contemplated by this Agreement and the other Loan Documents. In addition, the Borrower will use all reasonable efforts to duly obtain or make Governmental Approvals required from time to time on or prior to such date as the same may become legally required.

(l) Subsidiary Guarantees. The Borrower will (i) with respect to each Person that becomes a Restricted Subsidiary after the Closing Date (other than (a) any Subsidiary of the Borrower organized under the laws of a jurisdiction located other than in the United States (each a "FOREIGN SUBSIDIARY") if the execution of the Guaranty by such Subsidiary would result in any materially adverse tax consequences to the Borrower, (b) Panhandle and its Subsidiaries, and (c) MS&T), subject to any limitations under contractual restrictions as in effect as of the Closing Date or applicable law with respect to each Foreign Subsidiary, cause each such Restricted Subsidiary to execute the Guaranty pursuant to which it agrees to be bound by the terms and provisions of the Guaranty, and (ii) cause such Persons identified in clause (i) above to deliver resolutions, opinions of counsel and such other constitutive documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

(m) Compliance with Fee Letter. The Borrower and Enterprises shall comply with its obligations under the Fee Letter.

(n) Payment of Declared Dividend. The Borrower shall cause each of its direct Subsidiaries to pay all dividends within 30 days after declaration thereof.

(o) Securities Demand. Unless (x) the "Loans" and "Commitments" under (and as defined in) the Enterprises 2003 Credit Agreement and Loans and Commitments hereunder shall have been permanently reduced in an aggregate principal amount of $550,000,000 or more on or before January 2, 2004, or (y) the Borrower's reset put securities due July 1, 2003 shall have been reissued or remarketed pursuant to the terms thereof or refinanced, then, upon notice from the Administrative Agent (at the direction of the Required Lenders) (a "SECURITIES DEMAND"), to the extent permitted under each of the Borrower's indentures (and each supplement issued thereunder), the Borrower will cause the issuance and sale of debt and/or equity securities ("SECURITIES") the proceeds of which shall be used to repay the 6.75% Senior Notes on their maturity date upon such terms and conditions specified in the Securities Demand; provided that (i) the interest rate (whether floating or fixed) shall be determined by Administrative Agent in light of the then prevailing market conditions for comparable securities, (ii) the Administrative Agent in their reasonable discretion and after consultation with the Borrower, shall determine whether the Securities shall be issued through a public offering or a private placement; (iii) the Securities will be issued pursuant to an indenture or indentures, which shall contain such terms, conditions, and covenants as are typical and customary for similar financings and are reasonably satisfactory in all respects to the Administrative Agent; and (iv) all other arrangements with respect to the Securities shall be

reasonably satisfactory in all respects to the Administrative Agent in light of the then prevailing market conditions.

SECTION 7.02. NEGATIVE COVENANTS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid or any Lender shall have any Commitment, the Borrower shall not, without the written consent of the Required Lenders:

(a) Liens, Etc. (1) Create, incur, assume or suffer to exist, or permit any of the Loan Parties to create, incur, assume or suffer to exist, any lien, security interest, or other charge or encumbrance (including the lien or retained security title of a conditional vendor) of any kind, or any other type of arrangement intended or having the effect of conferring upon a creditor a preferential interest upon or with respect to any of its properties of any character (including capital stock and other ownership interests of the Borrower's directly-owned Subsidiaries, intercompany obligations and accounts) (any of the foregoing being referred to herein as a "LIEN"), whether now owned or hereafter acquired, or (2) file, or permit any of the other Loan Parties to file, under the Uniform Commercial Code of any jurisdiction a financing statement which names the Borrower or any other Loan Party as debtor (other than financing statements that do not evidence a Lien), or (3) sign, or permit any of the other Loan Parties to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or (4) assign, or permit any of the other Loan Parties to assign, accounts, excluding, however, from the operation of the foregoing restrictions the Liens created under the Loan Documents and the following:

(i) Liens for taxes, assessments or governmental charges or levies to the extent not past due;

(ii) cash pledges or deposits to secure (A) obligations under workmen's compensation laws or similar legislation, (B) public or statutory obligations of the Borrower or any of the other Loan Parties, (C) Support Obligations of the Borrower or any Loan Party, or (D) obligations of Enterprises or MS&T in respect of hedging arrangements and commodity purchases and sales (including any cash margins with respect thereto); provided that with respect to clauses (C) and (D) above the aggregate amount of cash pledges or deposits securing such Support Obligations and such obligations of Enterprises or MS&T shall not exceed $400,000,000 at any one time outstanding;

(iii) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's liens and other similar Liens arising in the ordinary course of business securing obligations which are not overdue or which have been fully bonded and are being contested in good faith;

(iv) Liens securing the obligations under the Loan Documents and under the "Loan Documents" as defined in the Enterprises 2003 Credit Agreement (and subordinated Liens securing the refinancing of all or any portion of such obligations, which Liens shall be subordinated on terms and conditions acceptable to the Administrative Agent and the Collateral Agent);

(v) Liens securing Off-Balance Sheet Liabilities (and all refinancings and recharacterizations thereof permitted under Section 7.02(b)(iv)) in an aggregate amount not to exceed $775,000,000;

(vi) purchase money Liens or purchase money security interests upon or in property acquired or held by the Borrower or any of the other Loan Parties in the ordinary course of business to secure the purchase price of such property or to secure indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such Liens or security interests, or Liens or security interests existing on any such property at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided that no such Lien or security interest shall extend to or cover any property other than the property being acquired and no such extension, renewal or replacement shall extend to or cover property not theretofore subject to the Lien or security interest being extended, renewed or replaced, and provided, further, that the aggregate principal amount of the Debt at any one time outstanding secured by Liens permitted by this clause (vi) shall not exceed $15,000,000;

(vii) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of the Borrower or any other Loan Party;

(viii) Liens existing on any capital asset of any Person at the time such Person is merged or consolidated with or into, or otherwise acquired by, the Borrower or any other Loan Party and not created in contemplation of such event, provided that such Liens do not encumber any other property or assets and such merger, consolidation or acquisition is otherwise permitted under this Agreement;

(ix) Liens existing on any capital asset prior to the acquisition thereof by the Borrower or any other Loan Party and not created in contemplation thereof; provided that such Liens do not encumber any other property or assets;

(x) Liens existing as of the Closing Date;

(xi) Liens securing Project Finance Debt otherwise permitted under this Agreement;

(xii) Liens arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses (v), (viii), (ix), (x) or (xi); provided that (a) such Debt is not secured by any additional assets, and (b) the amount of such Debt secured by any such Lien is otherwise permitted under this Agreement;

(xiii) Liens on accounts receivable (other than intercompany receivables) and other contract rights of MS&T and its Subsidiaries arising on or after the Closing Date in favor of any Person (other than an Affiliate of the Borrower or any of its Subsidiaries) that facilitates the origination of such accounts receivable or other contract rights;

(xiv) subordinated Liens granted pursuant to the terms of the AIG Pledge Agreement, which Liens shall be subordinated pursuant to the terms of the Intercreditor Agreement, to secure certain surety bond obligations as described in the AIG Pledge Agreement; and

(xv) subordinated Liens arising out of the refinancing, extension, renewal or refunding of the 6.75% Senior Notes, the Borrower's reset put securities due July 1, 2003 and the Borrower's general term notes due in 2003, which Liens shall be subordinated on terms and conditions acceptable to the Administrative Agent and the Collateral Agent.

(b) Enterprises Debt. Permit Enterprises or any Subsidiary of Enterprises (other than Panhandle and its Subsidiaries) to create, incur, assume or suffer to exist any debt (as such term is construed in accordance with GAAP) other than:

(i) debt arising by reason of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Enterprises' or its Subsidiaries' business;

(ii) in the form of indemnities in respect of unfiled mechanics' liens and Liens affecting Enterprises' or its Subsidiaries' properties permitted under Section 7.02(a)(iii);

(iii) debt arising under (a) the Loan Documents and (b) the "Loan Documents" as defined in the Enterprises 2003 Credit Agreement in a principal amount equal to $441,000,000 minus any principal payments (but with respect to principal payments of revolving loans prior to the "Conversion Date" thereunder, only to the extent of any concurrent reduction or termination of the "Commitments" as defined therein) made from time to time thereunder;

(iv) debt constituting Off-Balance Sheet Liabilities (including any recharacterization thereof as debt pursuant to any changes in generally accepted accounting principles hereafter required or permitted and which are adopted by the Borrower or any of its Subsidiaries with the agreement of its independent certified public accountants) to the extent permitted by Section 7.02(o), and any extensions, renewals, refundings or replacements thereof, provided that any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount of, is an obligation of the same Person that is the obligor in respect of, and has a weighted average life to maturity not less than the weighted average life to maturity of, the debt so extended, renewed, refunded or replaced;

(v) other debt of Enterprises and its Subsidiaries outstanding on the Closing Date (including the debt of the Loan Parties as of February 28, 2003 as set forth on Schedule I), and any extensions, renewals, refundings or replacements thereof, provided that any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount of, is an obligation of the same Person that is the obligor in respect of, and has a weighted average life to maturity not less than the weighted average life to maturity of, the debt so extended, renewed, refunded or replaced;

(vi) (a) unsecured, subordinated debt owed (i) to the Borrower by Enterprises, (ii) to Enterprises or CMS Capital, L.L.C. (or any successor by merger to CMS Capital, L.L.C.) and (iii) to any Grantor by any Loan Party, and (b) unsecured debt owed to any Subsidiary of Enterprises (other than a Grantor) by CMS Capital, L.L.C. (or any successor by merger to CMS Capital, L.L.C.), and (c) unsecured debt of any Foreign Subsidiary of Enterprises owed to another Foreign Subsidiary of Enterprises provided that the proceeds of any repayment of such debt are remitted to a Loan Party;

(vii) Project Finance Debt of any Loan Party or any of its Subsidiaries incurred on or after the Closing Date, provided that the Net Proceeds thereof shall be applied in accordance with Section 2.03(c) if required to be so applied; and

(viii) capital lease obligations and other Debt secured by purchase money Liens to the extent such Liens shall be permitted under Section 7.02(a)(vi).

(c) Lease Obligations. Create, incur, assume or suffer to exist, or permit any of the other Loan Parties to create, incur, assume or suffer to exist, any obligations as lessee for the rental or hire of real or personal property of any kind under leases or agreements to lease (other than leases which constitute Debt) having an original term of one year or more which would cause the aggregate direct or contingent liabilities of the Borrower and the other Loan Parties in respect of all such obligations payable in any period of 12 consecutive calendar months to exceed $50,000,000.

(d) Investments in Other Persons. Make, or permit any of the other Loan Parties to make, any loan or advance to any Person, or purchase or otherwise acquire any capital stock, obligations or other securities of, make any capital contribution to, or otherwise invest in, any Person, other than (i) Permitted Investments, (ii) pursuant to the contractual or contingent obligations of the Borrower or any other Loan Party as in effect as of the Closing Date and in amounts not to exceed the estimated amounts as set forth on Schedule I hereto (whether such obligation is conditioned upon a change in the ratings of the securities issued by such Person or otherwise) and, in each case, in an amount not to exceed such contractual or contingent obligation as in effect on the Closing Date, (iii) investments, directly or indirectly, by any Loan Party (x) in the capital of any Subsidiary of the Borrower that is a Loan Party and (y) in assets contributed to such Loan Party, provided that if any such assets constitute Collateral prior to such contribution, such assets shall remain Collateral after giving effect to such contribution and prior to such contribution the Borrower shall, and shall cause each applicable Subsidiary to, execute and deliver to the Administrative Agent all agreements, instruments and documents as may be necessary or reasonably requested by the Administrative Agent to perfect its security interest in such Collateral, (iv) investments in the capital stock or other ownership interests of any of the Borrower's Subsidiaries arising from the conversion of intercompany indebtedness to equity, (v) intercompany loans and advances to the extent the corresponding debt is permitted under Section 7.02(b)(vi), (vi) investments constituting non-cash consideration received in connection with the sale of any asset permitted under Section 7.02(i), and (vii) additional loans, advances, purchases, contributions and other investments in an amount not to exceed $340,000,000 in the aggregate at any time; provided, however, that investments described in clauses (iv) (solely with respect to investments made in any Subsidiary that is not a Loan Party) and (vii) above shall not be permitted to be made at a time when either a Default or an Event of Default shall be continuing

or would result therefrom; provided, further, that, notwithstanding the foregoing, neither the Borrower nor any Loan Party shall make any loans or advances to any of the Borrower's Subsidiaries other than, to the extent otherwise permitted hereunder, Enterprises or any Subsidiary of Enterprises.

(e) Restricted Payments. Declare or pay, or permit any other Loan Party to declare or pay, directly or indirectly, any dividend, payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any share of any class of capital stock or other ownership interests of the Borrower or any of the other Loan Parties (other than (1) stock splits and dividends payable solely in nonconvertible equity securities of the Borrower and (2) dividends and distributions made to the Borrower or a Loan Party), or purchase, redeem, retire, or otherwise acquire for value, or permit any of the other Loan Parties to purchase, redeem, retire, or otherwise acquire for value, any shares of any class of capital stock or other ownership interests of the Borrower or any of the other Loan Parties or any warrants, rights, or options to acquire any such shares, now or hereafter outstanding, or make, or permit any of the other Loan Parties to make, any distribution of assets to any of its shareholders (other than distributions to the Borrower or any other Loan Party) (any such dividend, payment, distribution, purchase, redemption, retirement or acquisition being hereinafter referred to as a "RESTRICTED PAYMENT") other than (i) pursuant to the terms of any class of capital stock of the Borrower issued and outstanding (and as in effect on) the Closing Date, any purchase or redemption of capital stock of the Borrower made by exchange for, or out of the proceeds of the substantially concurrent sale of, capital stock of the Borrower (other than Redeemable Stock or Exchangeable Stock (as such terms are defined in the Indenture on the Closing Date)); and (ii) payments made by the Borrower or any other Loan Party pursuant to the Tax Sharing Agreement.

(f) Compliance with ERISA. (i) Permit to exist any "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code of 1986, as amended), (ii) terminate, or permit any ERISA Affiliate to terminate, any Plan or withdraw from, or permit any ERISA Affiliate to withdraw from, any Multiemployer Plan, so as to result in any material (in the opinion of the Required Lenders) liability of the Borrower, any other Loan Party or Consumers to such Plan, Multiemployer Plan or the PBGC, or (iii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, which presents a material (in the opinion of the Required Lenders) risk of such a termination by the PBGC of any Plan or withdrawal from any Multiemployer Plan so as to result in a material liability to the Borrower, any other Loan Party or Consumers.

(g) Transactions with Affiliates. Enter into, or permit any of its Subsidiaries to enter into, any transaction with any of its Affiliates unless such transaction is on terms no less favorable to the Borrower or such Subsidiary than if the transaction had been negotiated in good faith on an arm's-length basis with a non-Affiliate; provided that (x) the purchase by, or other transfer to, Trunkline Field Services Company of certain assets of CMS Field Services, Inc. as described to the Administrative Agent and the Lenders prior to the date hereof shall be permitted hereunder and (y) any transaction permitted under Sections 7.02(b), 7.02(e) or 7.02(h) shall be permitted hereunder.

(h) Mergers, Etc. Merge with or into or consolidate with or into, or permit any of the other Loan Parties or Consumers to merge with or into or consolidate with or into, any

other Person, except that (i) (x) any Loan Party may merge with or into any other Loan Party, (y) any Subsidiary of a Loan Party that is not a Loan Party may merge into such Loan Party or with or into any other Subsidiary of any Loan Party, provided that (a) in any such merger with or into the Borrower, the Borrower is the surviving corporation, (b) in any such merger into a Loan Party under clause (y) above, the Loan Party is the survivor thereof, (c) no Default or Event of Default shall be continuing or result therefrom and (d) such Loan Party shall not be liable with respect to any Debt or allow its property to be subject to any Lien which it could not become liable with respect to or allow its property to become subject to under this Agreement or any other Loan Document on the date of such transaction, and (ii) any Loan Party may merge with or into any other Person, provided that (a) the Loan Party is the survivor thereof, or, in the case of any Loan Party that is a corporation reconstituting itself as limited liability company, such limited liability company shall be the survivor thereof and shall be thereafter deemed to be a Loan Party hereunder, (b) no Default or Event of Default shall be continuing or result therefrom, (c) such Loan Party shall not be liable with respect to any Debt or allow its property to be subject to any Lien which it could not become liable with respect to or allow its property to become subject to under this Agreement or any other Loan Document on the date of such transaction, and (d) immediately after giving effect to such merger, the Net Worth of such Loan Party shall be equal to or greater than the Net Worth of such Loan Party as of the last day of the fiscal quarter immediately preceding the date of such merger.

(i) Sales, Etc., of Assets. Sell, lease, transfer, assign, or otherwise dispose of all or any substantial part of its assets, or permit any of the other Loan Parties (other than MS&T) to sell, lease, transfer, or otherwise dispose of all or any substantial part of its assets, except (i) to give effect to a transaction permitted by subsection (h) above or subsection (j) below, and (ii) with respect to Enterprises or any of its Subsidiaries, as permitted under the Enterprises 2003 Credit Agreement; provided, further, that neither the Borrower nor any of the other Loan Parties (other than MS&T) shall sell, assign, transfer, lease, convey or otherwise dispose of any property, whether now owned or hereafter acquired, or any income or profits therefrom, or enter into any agreement to do so, except:

(A) the sale of property for consideration not less than the Fair Market Value thereof so long as (i) any non-cash consideration resulting from such sale shall be pledged or assigned to the Collateral Agent, for the benefit of the Lenders, pursuant to an instrument in form and substance reasonably acceptable to the Collateral Agent, (ii) cash consideration resulting from such sale shall be (x) in an amount determined by the Borrower for any sale the consideration of which is $10,000,000 or less, or, together with all other such sales under this clause (x), $25,000,000 or less, (y) in the case of the sale of substantially all or any portion of the capital stock and assets of CMS Field Services, Inc. and its Subsidiaries, not less than 60% of the aggregate consideration resulting from such sale, (z) for all other sales, not less than 90% of the aggregate consideration resulting from such sale, and (iii) the Borrower complies with the mandatory prepayment provisions set forth in Section 2.03(c);

(B) the transfer of property from a Loan Party to any other Loan Party;

(C) the transfer of property constituting an investment otherwise permitted under Section 7.02(d);

(D) the sale of electricity and natural gas and other property in the ordinary course of Borrower's and its Subsidiaries respective businesses consistent with past practice;

(E) any transfer of an interest in receivables and related security, accounts or notes receivable on a limited recourse basis in connection with the incurrence of Off-Balance Sheet Liabilities, provided that such transfer qualifies as a legal sale and as a sale under GAAP and the incurrence of such Off-Balance Sheet Liabilities is permitted under Section 7.02(o);

(F) the transfer of property constituting not more than two percent (2%) of the ownership interests held by the Borrower and its Subsidiaries as of the Closing Date in CMS International Ventures, L.L.C. to CMS Energy Foundation and/or Consumers Foundation and/or any other third-party 501(c)(3) charitable organization;

(G) the disposition of equipment if such equipment is obsolete or no longer useful in the ordinary course of the Borrower's or such Subsidiary's business;

(H) the sale of substantially all of the capital stock and assets of Panhandle; provided that such sale shall be consummated substantially in accordance with, and on terms not materially more adverse to the interests of the Agents and the Lenders than the terms and conditions set forth in, that certain Stock Purchase Agreement, dated as of December 21, 2002, by and among CMS Gas Transmission Company, AIG Highstar Capital, L.P., AIG Highstar II Funding Corp., Southern Union Company and Southern Union Panhandle Corp.

(j) Maintenance of Ownership of Subsidiaries. Sell, transfer, assign or otherwise dispose of any shares of capital stock or other ownership interests of any of the Loan Parties or Consumers (other than preferred or preference stock of Consumers) or any warrants, rights or options to acquire such capital stock or other ownership interests, or permit any other Loan Party or Consumers to issue, sell, transfer, assign or otherwise dispose of any shares of its capital stock (other than preferred or preference stock of Consumers) or other ownership interests or the capital stock or other ownership interests of any other Loan Party or any warrants, rights or options to acquire such capital stock or other ownership interests, except (i) to give effect to a transaction permitted by subsection (d), (h) or (i) above, and (ii) in connection with the foreclosure of any Liens permitted under Section 7.02(a)(iv).

(k) Amendment of Tax Sharing Agreement. Directly or indirectly, amend, modify, supplement, waive compliance with, seek a waiver under, or assent to noncompliance with, any term, provision or condition of the Tax Sharing Agreement if the effect of such amendment, modification, supplement, waiver or assent is to (i) reduce materially any amounts otherwise payable to, or increase materially any amounts otherwise owing or payable by, the Borrower thereunder, or (ii) change materially the timing of any payments made by or to the Borrower thereunder.

(l) Prepayments of Indebtedness. Make or agree to pay or make, or permit any of the other Loan Parties to make or agree to pay or make, directly or indirectly, any

payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any Debt, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Debt (other than the obligations of the Loan Parties under the Loan Documents and under the "Loan Documents" as defined in the Enterprises 2003 Credit Agreement), other than (i) any payments on account of (a) any Debt when and as such payment was due (including at the maturity thereof if the initial stated maturity thereof is on or prior to the Facility A Maturity Date) pursuant to the mandatory payment provisions applicable to such Debt at the time it was incurred (including, without limitation, regularly scheduled payment dates for principal, interest, fees and other amounts due thereon) or any extension thereof thereafter granted by the holder of such Debt, (b) refinancings of Debt otherwise permitted under this Agreement, (c) any Debt owed to the Borrower or any of its Subsidiaries, (d) Debt secured by a Lien on assets subject to an asset sale permitted by Section 7.02(i) and (e) the extinguishment of any intercompany Debt in connection with a dividend or distributions permitted under Section 7.02(e), (ii) payments constituting the exchange of the Borrower's common stock for the Borrower's outstanding Debt (and any cash payments made in lieu of the issuance of fractional shares) to the extent such exchange is permitted under the Securities and Exchange Act of 1933, as amended and (iii) prepayments of (x) the Borrower's reset put securities due July 1, 2003 and the Borrower's general term notes due in 2003, (y) if the aggregate principal amount of the Loans shall be less than $250,000,000, any securities with maturities on or after January 1, 2004 but prior to April 1, 2004, and (z) if the aggregate principal amount of the Loans shall be less than $175,000,000, any securities with maturities on or after January 1, 2004.

(m) Conduct of Business. Engage, or permit any Restricted Subsidiary to engage, in any business other than (a) the business engaged in by the Borrower and its Subsidiaries on the date hereof, and (b) any business or activities which are substantially similar, related or incidental thereto.

(n) Organizational Documents. Amend, modify or otherwise change, or permit any Restricted Subsidiary to amend, modify or otherwise change any of the terms or provisions in any of their respective certificate of incorporation and by-laws (or comparable constitutive documents) as in effect on the Closing Date in any manner adverse to the interests of the Lenders.

(o) Off-Balance Sheet Liabilities. Create, incur, assume or suffer to exist, or permit any Subsidiary (other than Consumers and its Subsidiaries) to create, incur, assume or suffer to exist, Off-Balance Sheet Liabilities (exclusive of lease obligations otherwise permitted under Section 7.02(c)) in the aggregate in excess of $775,000,000 at any time.

SECTION 7.03. REPORTING OBLIGATIONS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid or any Lender shall have any Commitment, the Borrower will, unless the Required Lenders shall otherwise consent in writing, furnish to the Administrative Agent (with sufficient copies for each Lender), the following:

(a) as soon as possible and in any event within five days after the Borrower knows or should have reason to know of the occurrence of each Default or Event of Default continuing on the date of such statement, a statement of the chief financial officer or chief accounting officer of the Borrower setting forth details of such Default or Event of Default and the action that the Borrower proposes to take with respect thereto;

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, commencing with the fiscal quarter ending on March 31, 2003, a consolidated balance sheet and consolidated statements of income and retained earnings and of cash flows of the Borrower and its Subsidiaries as at the end of such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter (which requirement shall be deemed satisfied by the delivery of the Borrower's quarterly report on Form 10-Q for such quarter), all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer or chief accounting officer of the Borrower as having been prepared in accordance with GAAP, together with (A) a schedule (substantially in the form of Exhibit E appropriately completed) of (1) the computations used by the Borrower in determining compliance with the covenants contained in Sections 7.01(i) and 7.01(j) and the ratio set forth in Section 8.01(j), (2) all Project Finance Debt of the Consolidated Subsidiaries, together with the Borrower's Ownership Interest in each such Consolidated Subsidiary and (3) all Support Obligations of the Borrower of the types described in clauses (iv) and (v) of the definition of Support Obligations (whether or not each such Support Obligation or the primary obligation so supported is fixed, conclusively determined or reasonably quantifiable) to the extent such Support Obligations have not been previously disclosed as "Consolidated Debt" pursuant to clause (1) above, and (B) a certificate of said officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower proposes to take with respect thereto;

(c) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower and its Subsidiaries, commencing with the fiscal year ending on December 31, 2003, a copy of the Annual Report on Form 10-K (or any successor form) for the Borrower and its Subsidiaries for such year, including therein a consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such fiscal year and consolidated statements of income and retained earnings and of cash flows of the Borrower and its Subsidiaries for such fiscal year, accompanied by a report thereon of a nationally-recognized independent public accounting firm, together with (1) a schedule in form satisfactory to the Required Lenders of (A) the computations used by such accounting firm in determining, as of the end of such fiscal year, compliance with the covenants contained in Sections 7.01(i) and 7.01(j) and the ratio set forth in Section 8.01(j), (B) all Project Finance Debt of the Consolidated Subsidiaries, together with the Borrower's Ownership Interest in each such Consolidated Subsidiary and (C) all Support Obligations of the Borrower of the types described in clauses (iv) and (v) of the definition of Support Obligations (whether or not each such Support Obligation or the primary obligation so supported is fixed, conclusively determined or reasonably quantifiable) to the extent such Support Obligations have not been previously disclosed as "Consolidated Debt" pursuant to clause (A) above, and (2) a certificate of the chief financial officer or chief accounting officer of the Borrower stating that no Default or Event of Default has occurred and

is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower proposes to take with respect thereto;

(d) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, commencing with the fiscal quarter ending on March 31, 2003, a balance sheet and statements of income and retained earnings and of cash flows of the Borrower as at the end of such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer or chief accounting officer of the Borrower as having been prepared in accordance with GAAP;

(e) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, commencing with the fiscal year ending on December 31, 2003, a balance sheet of the Borrower as at the end of such fiscal year and statements of income and retained earnings and of cash flows of the Borrower for such fiscal year, all in reasonable detail and duly certified (subject to year end audit adjustments) by the chief financial officer or chief accounting officer of the Borrower as having been prepared in accordance with GAAP;

(f) as soon as possible and in any event (A) within 30 days after the Borrower knows or has reason to know that any Plan Termination Event described in clause (i) of the definition of Plan Termination Event with respect to any Plan of the Borrower or any ERISA Affiliate of the Borrower has occurred and could reasonably be expected to result in a material liability to the Borrower and (B) within 10 days after the Borrower knows or has reason to know that any other Plan Termination Event with respect to any Plan of the Borrower or any ERISA Affiliate of the Borrower has occurred and could reasonably be expected to result in a material liability to the Borrower, a statement of the chief financial officer or chief accounting officer of the Borrower describing such Plan Termination Event and the action, if any, which the Borrower proposes to take with respect thereto;

(g) except as may arise in connection with the sale of Panhandle, promptly after receipt thereof by the Borrower or any of its ERISA Affiliates from the PBGC copies of each notice received by the Borrower or any such ERISA Affiliate of the PBGC's intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(h) except as may arise in connection with the sale of Panhandle, promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan (if any) to which the Borrower is a contributing employer;

(i) promptly after receipt thereof by the Borrower or any of its ERISA Affiliates from a Multiemployer Plan sponsor, a copy of each notice received by the Borrower or any of its ERISA Affiliates concerning the imposition or amount of withdrawal liability in an aggregate principal amount of at least $250,000 pursuant to Section 4202 of ERISA in respect of which the Borrower is reasonably expected to be liable;

(j) promptly after the Borrower becomes aware of the occurrence thereof, notice of all actions, suits, proceedings or other events of the type described in Section 6.01(f);

(k) promptly after the sending or filing thereof, notice to the Administrative Agent and each Lender of any sending or filing of all proxy statements, financial statements and reports which the Borrower sends to its public security holders (if any), all regular, periodic and special reports which the Borrower files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange, pursuant to the Exchange Act, and all final prospectuses with respect to any securities issued or to be issued by the Borrower or any of its Subsidiaries;

(l) as soon as possible and in any event within five days after the occurrence of any material default under any material agreement to which the Borrower or any of its Subsidiaries is a party, which default would materially adversely affect the business, assets, property, financial condition, results of operations or prospects of the Borrower and its Subsidiaries, considered as a whole, any of which is continuing on the date of such certificate, a certificate of the chief financial officer of the Borrower setting forth the details of such material default and the action which the Borrower or any such Subsidiary proposes to take with respect thereto; and

(m) promptly after requested, such other information respecting the business, properties, condition or operations, financial or otherwise, of the Borrower and its Subsidiaries as any Agent or the Required Lenders may from time to time reasonably request in writing.

The Borrower shall be deemed to have fulfilled its obligations pursuant to clauses (b), (c), (d), (e) and (k) above to the extent the Administrative Agent (and the Lenders, if applicable) receives an electronic copy of the requisite document or documents in a format reasonably acceptable to the Administrative Agent, provided that (1) an executed, tangible copy of any report required pursuant to clause (e) above is delivered to the Administrative Agent at the time of any such electronic delivery, and (2) a tangible copy of each requisite document delivered electronically is made available by the Borrower promptly upon request by any Agent or Lender.

ARTICLE VIII
DEFAULTS

SECTION 8.01. EVENTS OF DEFAULT. If any of the following events (each an "EVENT OF DEFAULT") shall occur and be continuing, the Administrative Agent and the Lenders shall be entitled to exercise the remedies set forth in Section 8.02:

(a) The Borrower shall fail to pay (i) any principal of any Loan when due or (ii) any interest thereon, fees or other amounts (other than any principal of any Loan) payable hereunder within two Business Days after such interest, fees or other amounts shall have become due; or

(b) Any representation or warranty made by or on behalf of the Borrower in any Loan Document or certificate or other writing delivered pursuant thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The Borrower or any of its Subsidiaries shall fail to perform or observe any term or covenant on its part to be performed or observed contained in Section 7.01(c), (h),

(i), (j), (l), (n) or (o) or in Section 7.02 hereof (and the Borrower, each Lender and each Agent hereby agrees that an Event of Default under this subsection (c) shall be given effect as if the defaulting Subsidiary were a party to this Agreement); or

(d) The Borrower or any of its Subsidiaries shall fail to perform or observe any other term or covenant on its part to be performed or observed contained in any Loan Document and any such failure shall remain unremedied, after written notice thereof shall have been given to the Borrower by the Administrative Agent, for a period of 10 Business Days (and the Borrower, each Lender and each Agent hereby agrees that an Event of Default under this subsection (d) shall be given effect as if the defaulting Subsidiary were a party to this Agreement); or

(e) The Borrower, any Restricted Subsidiary or Consumers shall fail to pay any of its Debt (including any interest or premium thereon but excluding Debt incurred under this Agreement) (i) under the Enterprises 2003 Credit Agreement, or (ii) otherwise aggregating, in the case of the Borrower and each Restricted Subsidiary, $6,000,000 or more or, in the case of Consumers, $25,000,000 or more, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to such Debt; or any other default under any agreement or instrument relating to any such Debt (including any "amortization event" or event of like import in connection with any Off-Balance Sheet Liabilities), or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is (i) to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof; unless in each such case the obligee under or holder of such Debt shall have waived in writing such circumstance so that such circumstance is no longer continuing, or (ii) with respect to any such event occurring in connection with any Off-Balance Sheet Liabilities aggregating $6,000,000 or more, to terminate the reinvestment of collections or proceeds of receivables and related security under any agreements or instruments related thereto (other than a termination resulting solely from the request of the Borrower or its Subsidiaries); or

(f) (i) The Borrower, any Restricted Subsidiary or Consumers shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make an assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against the Borrower, any Restricted Subsidiary or Consumers seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of a proceeding instituted against the Borrower, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including the entry of an order for relief against the Borrower, a Restricted Subsidiary or Consumers or the appointment of a receiver, trustee, custodian or other similar official for the Borrower, such Restricted Subsidiary or Consumers or any of its property) shall occur; or (iii) the Borrower, any Restricted Subsidiary or Consumers shall take

any corporate or other action to authorize any of the actions set forth above in this subsection (f); or

(g) Any judgment or order for the payment of money in excess of $6,000,000 shall be rendered against the Borrower, any Guarantor or any of their respective properties and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) Any material provision of any Loan Document, after execution hereof or delivery thereof under Article V, shall for any reason other than the express terms hereof or thereof cease to be valid and binding on any party thereto; or any Loan Party shall so assert in writing; or any Guarantor shall terminate or revoke any of its obligations under the applicable Guaranty; or

(i) Any "Event of Default" shall occur under and as defined in the AIG Pledge Agreement as in effect on January 8, 2003 (and without giving effect to any amendment or other modification thereto); or

(j) There shall be imposed or enacted any Consumers Dividend Restriction, the result of which is that the Dividend Coverage Ratio shall be less than 1.15 to 1.0 at any time after the imposition of such Consumers Dividend Restriction; or

(k) At any time, for any reason (except to the extent permitted by the terms of the Loan Documents or due to any failure by the Collateral Agent to take any action on its part to be performed under applicable law in order to maintain the perfection or priority of any such Liens), (i) the Liens intended to be created under any of the Loan Documents with respect to Collateral having a Fair Market Value of $6,000,000 or more become, or the Borrower or any such Subsidiary seeks to render such Liens, invalid or unperfected, or (ii) Liens in favor of the Collateral Agent for the benefit of the Lenders contemplated by the Loan Documents with respect to Collateral having a Fair Market Value of $6,000,000 or more shall, at any time, for any reason, be invalidated or otherwise cease to be in full force and effect, or such Liens shall not have the priority contemplated by this Agreement or the Loan Documents.

SECTION 8.02. REMEDIES. If any Event of Default has occurred and is continuing, then the Administrative Agent or the Collateral Agent, as applicable, shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower (i) declare the Commitments and the obligation of each Lender to make or Convert Loans to be terminated, whereupon the same shall forthwith terminate, (ii) declare the principal amount outstanding hereunder, all interest thereon and all other amounts payable under this Agreement and the other Loan Documents to be forthwith due and payable, whereupon the principal amount outstanding hereunder, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, and (iii) exercise in respect of any and all collateral, in addition to the other rights and remedies provided for herein or otherwise available to the Administrative Agent, the Collateral Agent or the Lenders, all the rights and remedies of a

secured party on default under the Uniform Commercial Code in effect in the State of New York and in effect in any other jurisdiction in which collateral is located at that time; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower or any Guarantor under the Federal Bankruptcy Code, (A) the Commitments and the obligation of each Lender to make or Convert Loans shall automatically be terminated and (B) the principal amount outstanding hereunder, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE IX
THE AGENTS

SECTION 9.01. AUTHORIZATION AND ACTION.

(a) Each of the Lenders hereby irrevocably appoints each Agent as its agent and authorizes each such Agent to take such actions on its behalf and to exercise such powers as are delegated to such Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

(b) Any Lender serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and such Lender and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any of its Subsidiaries or other Affiliate thereof as if it were not an Agent hereunder.

(c) No Agent shall have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (i) no Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default or an Event of Default has occurred and is continuing, (ii) no Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.01), and (iii) except as expressly set forth in the Loan Documents, no Agent shall have any duty to disclose, or shall be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries or Affiliates that is communicated to or obtained by the Lender serving as such Agent or any of its Affiliates in any capacity. No Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.01 or any other provision of this Agreement) or in the absence of its own gross negligence or willful misconduct. Each Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until written notice thereof is given to such Agent by the Borrower or a Lender (in which case such Agent shall promptly give a copy of such written notice to the Lenders and the other Agents). No Agent shall be responsible for or have any duty to ascertain or inquire into (A) any statement, warranty or representation made in or in connection with any Loan Document, (B) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (C) the performance or observance of any of the covenants, agreements or other terms

or conditions set forth in any Loan Document, (D) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (E) the satisfaction of any condition set forth in Article V or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent.

(d) Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Each Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) Each Agent may perform any and all its duties and exercise its rights and powers by or through one or more sub-agents appointed by such Agent. Each Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding subsections of this Section 9.01 shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as an Agent.

(f) Subject to the appointment and acceptance of a successor Agent as provided in this subsection (f), any Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a Lender with an office in New York, New York, or an Affiliate of any such Lender. Upon the acceptance of its appointment as an Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After an Agent's resignation hereunder, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as an Agent.

(g) Each Lender acknowledges that it has independently and without reliance upon any Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder. Each Lender agrees (except as provided in Section

10.05) that it will not take any legal action, nor institute any actions or proceedings, against the Borrower or any other obligor hereunder or with respect to any Collateral, without the prior written consent of the Required Lenders. Without limiting the generality of the foregoing, no Lender may accelerate or otherwise enforce its portion of the Loans, or unilaterally terminate its Commitment except in accordance with Section 8.02.

SECTION 9.02. INDEMNIFICATION. The Lenders agree to indemnify each Agent (to the extent not reimbursed by the Borrower), ratably according to the respective Percentages of the Lenders, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against such Agent in any way relating to or arising out of this Agreement or any action taken or omitted by such Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agents and the Arranger promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agents in connection with the preparation, syndication, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Agents are entitled to reimbursement for such expenses pursuant to Section 10.04 but are not reimbursed for such expenses by the Borrower.

SECTION 9.03. CONCERNING THE COLLATERAL AND THE LOAN DOCUMENTS.

(a) Each Lender authorizes and directs the Collateral Agent to enter into the Loan Documents relating to the Collateral for the benefit of the Lenders. Each Lender agrees that any action taken by any Agent or the Required Lenders (or, where required by the express terms of this Agreement, a greater proportion of the Lenders) in accordance with the provisions of this Agreement or the other Loan Documents, and the exercise by any Agent or the Required Lenders (or, where so required, such greater proportion) of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. Without limiting the generality of the foregoing, the Collateral Agent shall have the sole and exclusive right and authority to (i) act as the disbursing and collecting agent for the Lenders with respect to all payments and collections arising in connection with this Agreement and the Loan Documents relating to the Collateral; (ii) execute and deliver each Loan Document relating to the Collateral and accept delivery of each such agreement delivered by the Borrower or any other Loan Party a party thereto; (iii) act as collateral agent for the Lenders for purposes of the perfection of all Liens created by such agreements and all other purposes stated therein; provided, however, the Collateral Agent hereby appoints, authorizes and directs the other Agents and the Lenders to act as collateral sub-agent for the Collateral Agent and the Lenders for purposes of the perfection of all Liens with respect to any property of the Borrower or any of its Subsidiaries at any time in the possession of such Lender, including, without limitation, deposit accounts maintained with, and cash held by, such Lender; (iv) manage, supervise and otherwise deal with the Collateral; (v) take such action as is necessary or desirable to maintain the perfection and priority of the Liens created or purported to be created by the Loan Documents; and (vi) except as may be otherwise specifically restricted by

the terms of this Agreement or any other Loan Document, exercise all remedies given to the Collateral Agent or the Lenders with respect to the Collateral under the Loan Documents relating thereto, applicable law or otherwise.

(b) The Administrative Agent and each Lender hereby directs, in accordance with the terms of this Agreement, the Collateral Agent to release any Lien held by the Collateral Agent for the benefit of the Lenders:

(i) against all of the Collateral, upon payment in full of the Obligations of all of the Loan Parties under the Loan Documents and termination of this Agreement;

(ii) against any part of the Collateral sold or disposed of by the Borrower or any of its Subsidiaries, if such sale or disposition is otherwise permitted under this Agreement, as certified to the Collateral Agent by the Borrower, or is otherwise consented to by the Required Lenders;

(iii) against any part of the Collateral consisting of a promissory note, upon payment in full of the Debt evidenced thereby; and/or

(iv) against any of the Collateral and any Grantor upon the occurrence of any event described in Section 8.10 of the Pledge Agreements.

The Administrative Agent and each Lender hereby directs the Collateral Agent to execute and deliver or file such termination and partial release statements and do such other things as are necessary to release Liens to be released pursuant to this Section 9.03(b) promptly upon the effectiveness of any such release.

SECTION 9.04. RELEASE OF GUARANTORS. Upon (x) the liquidation or dissolution of any Guarantor, or sale of all of the capital stock or other ownership interests of any Guarantor, in each case which is permitted pursuant to the terms of any Loan Document or consented to in writing by the Required Lenders or all of the Lenders, as applicable, and upon at least five (5) Business Days' prior written request by the Borrower or (y) the occurrence of any event described in Section 11 of the Guaranty, the Collateral Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the applicable Guarantor from its obligations under the Guaranty; provided, however, that (i) the Collateral Agent shall not be required to execute any such document on terms which, in the Collateral Agent's opinion, would expose the Collateral Agent to liability or create any obligation or entail any consequence other than the release of such Guarantor without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Loans, any other Guarantor's obligations under the Guaranty, or, if applicable, any obligations of the Borrower or any Subsidiary in respect of the proceeds of any such sale retained by the Borrower or any Subsidiary.

ARTICLE X
MISCELLANEOUS

SECTION 10.01. AMENDMENTS, ETC. No amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be

effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (i) waive, modify or eliminate any of the conditions specified in Article V, (ii) increase the Commitments of the Lenders that may be maintained hereunder, (iii) reduce the principal of, or interest on, any Loan, any Applicable Margin, any Commitment Fee Margin or any fees or other amounts payable hereunder (other than fees payable to the Administrative Agent pursuant to Section 2.02(b)), (iv) postpone any date fixed for any payment of principal of, or interest on, any Loan or any fees or other amounts payable hereunder (other than fees payable to the Administrative Agent pursuant to Section 2.02(b)) (except with respect to any modifications of the provisions relating to amounts, timing or application of prepayments of Loans and other Obligations which modification shall require only the approval of the Required Lenders (other than the provisions relating to the amounts, timing or application of prepayments of (a) the Facility A Loans which modifications shall also require the approval of Lenders with Facility A Loans greater than or equal to 66 2/3% of all of the Facility A Loans, and (b) the Facility B Loans which modifications shall also require the approval of Lenders with Facility B Loans greater than or equal to 66 2/3% of all of the Facility B Loans)), (v) change the definition of "Required Lenders" contained in Section 1.01 or change any other provision that specifies the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans or the number of Lenders which shall be required for the Lenders or any of them to take any action hereunder, (vi) amend, waive or modify Section 2.03(b) or this Section 10.01, (vii) release the Collateral Agent's Lien on all of the Collateral or any portion of the Collateral in excess of $50,000,000 (except as provided in Section 9.03(b)), or (viii) extend the Commitment Termination Date, the Facility A Maturity Date or the Facility B Maturity Date; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by each Agent in addition to the Lenders required above to take such action, affect the rights or duties of any Agent under this Agreement or any other Loan Document. Any request from the Borrower for any amendment, waiver or consent under this Section 10.01 shall be addressed to the Administrative Agent.

SECTION 10.02. NOTICES, ETC. All notices and other communications provided for hereunder and under the other Loan Documents shall be in writing (including telegraphic, facsimile, telex or cable communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered, (i) if to the Borrower, at its address at Fairlane Plaza South, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126, Attention: S. Kinnie Smith, Jr., General Counsel, with a copy to Laura L. Mountcastle, Vice President, Investor Relations and Treasurer, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126; (ii) if to any Bank, at the address set forth on its signature page hereto; (iii) if to any Lender other than a Bank, at its Applicable Lending Office specified in the Lender Assignment pursuant to which it became a Lender; (iv) if to the Administrative Agent with respect to funding or payment of any amounts hereunder, at its address at 2 Penns Way, Suite 200, New Castle, DE 19270, Attn: Dawn Conover, Telephone No. (302) 894-6063, Telecopy No. (302) 894-6120; (v) if to the Administrative Agent for any other reason or to the Collateral Agent, at its address at 388 Greenwich Street, New York, New York 10003, Attn: Nick McKee, Telephone No. (212) 816-8592, Telecopy No. (212) 816-8098; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telegraphed, telecopied, telexed or cabled, be effective five days after when deposited in the mails, or when

delivered to the telegraph company, telecopied, confirmed by telex answerback or delivered to the cable company, respectively, except that notices and communications to any Agent pursuant to Article II, III, or IX shall not be effective until received by such Agent.

SECTION 10.03. NO WAIVER OF REMEDIES. No failure on the part of the Borrower, any Lender or any Agent to exercise, and no delay in exercising, any right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.04. COSTS, EXPENSES AND INDEMNIFICATION.

(a) The Borrower agrees to (i) reimburse on demand all reasonable costs and expenses of each Agent and the Arranger (including reasonable fees and expenses of counsel to the Agents) in connection with (A) the preparation, syndication, negotiation, execution and delivery of the Loan Documents and (B) the care and custody of any and all collateral, and any proposed modification, amendment, or consent relating to any Loan Document, and (ii) to pay on demand all reasonable costs and expenses of each Agent and, on and after the date upon which the principal amount outstanding hereunder becomes or is declared to be due and payable pursuant to Section 8.02 or an Event of Default specified in Section 8.01(a) shall have occurred and be continuing, each Lender (including fees and expenses of counsel to the Agents, special Michigan counsel to the Lenders and, from and after such date, counsel for each Lender (including the allocated costs and expenses of in-house counsel)) in connection with the workout, restructuring or enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Loan Documents and the other documents to be delivered hereunder.

(b) The Borrower shall indemnify each Agent, the Arranger, each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNIFIED PERSON") against, and hold each Indemnified Person harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnified Person, incurred by or asserted against any Indemnified Person arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby or thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or other Extension of Credit or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of any Hazardous Substance on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnified Person is a party thereto; provided that such indemnity shall not, as to any Indemnified Person, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnified Person.

(c) The Borrower's other obligations under this Section 10.04 shall survive the repayment of all amounts owing to the Lenders and the Agents under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Borrower under this Section 10.04 are unenforceable for any reason, the Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION 10.05. RIGHT OF SET-OFF.

(a) Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 8.02 to authorize the Administrative Agent to declare the principal amount outstanding hereunder to be due and payable pursuant to the provisions of Section 8.02, 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 Borrower, against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Promissory Notes held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or such Promissory Notes, as the case may be, and although such obligations may be unmatured. Each Lender agrees to notify promptly the Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 10.05 are in addition to other rights and remedies (including other rights of set-off) which such Lender may have.

(b) The Borrower agrees that it shall have no right of off-set, deduction or counterclaim in respect of its obligations hereunder, and that the obligations of the Lenders hereunder are several and not joint. Nothing contained herein shall constitute a relinquishment or waiver of the Borrower's rights to any independent claim that the Borrower may have against any Agent or any Lender for such Agent's or such Lender's, as the case may be, gross negligence or willful misconduct, but no Lender shall be liable for any such conduct on the part of any Agent or any other Lender, and no Agent shall be liable for any such conduct on the part of any Lender.

SECTION 10.06. BINDING EFFECT. This Agreement shall become effective when it shall have been executed by the Borrower and the Agents and when the Administrative Agent shall have been notified by each Bank that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agents and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 10.07. ASSIGNMENTS AND PARTICIPATION.

(a) Any Lender may sell participations in all or a portion of its rights and obligations under this Agreement pursuant to subsection (b) below and any Lender may assign all or any part of its rights and obligations under this Agreement pursuant to subsection (c) below.

(b) Any Lender may sell participations to one or more banks or other entities (each a "PARTICIPANT") in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and its outstanding Loan), provided that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of the Loans of such Lender for all purposes of this Agreement and (iv) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 10.01 or of any other Loan Document. The Borrower agrees that each Participant shall be deemed to have the right of set-off provided in Section 10.05 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of set-off provided in Section 10.05 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of set-off provided in Section 10.05, agrees to share with each Lender, any amount received pursuant to the exercise of its right of set-off, such amounts to be shared in accordance with Section 10.05 as if each Participant were a Lender. The Borrower further agrees that each Participant shall be entitled to the benefits of Sections 4.04 and 4.06 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.07(c); provided that (i) a Participant shall not be entitled to receive any greater payment under Section 4.04 or 4.06 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 4.06 to the same extent as if it were a Lender.

(c) Any Lender may, in the ordinary course of its business and in accordance with applicable law, with the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed), at any time assign to one or more financial institutions all or any part of its rights and obligations under this Agreement, provided that the minimum principal amount of any such assignment (other than assignments to a Federal Reserve Bank, or to any other Lender or affiliate or Approved Fund of a Lender, or to any direct or indirect contractual counterparties in swap agreements relating to the Loans to the extent required in connection with the physical settlement of any Lender's obligations pursuant thereto) shall be $1,000,000 (or such lesser amount consented to by the Administrative Agent); provided that, unless such Lender is assigning all of its rights and obligations hereunder, after giving effect to such assignment the assigning Lender shall have Loans in the aggregate of not less than $1,000,000 (unless otherwise consented to by the Administrative Agent).

(d) Any Lender may, in connection with any sale or participation or proposed sale or participation pursuant to this Section 10.07 disclose to the purchaser or Participant or

proposed purchaser or Participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower, provided that prior to any such disclosure of non-public information, the purchaser or Participant or proposed purchaser or Participant (which Participant is not an affiliate of a Lender) shall agree to preserve the confidentiality of any confidential information (except any such disclosure as may be required by law or regulatory process) relating to the Borrower received by it from such Lender.

(e) Assignments under this Section 10.07 shall be made pursuant to an agreement (a "LENDER ASSIGNMENT") substantially in the form of Exhibit F hereto or in such other form as may be agreed to by the parties thereto and shall not be effective until a $3,500 fee has been paid to the Administrative Agent by the assignee, which fee shall cover the cost of processing such assignment, provided, that such fee shall not be incurred in the event of an assignment by any Lender of all or a portion of its rights under this Agreement to (i) a Federal Reserve Bank or (ii) a Lender or an affiliate or Approved Fund of the assigning Lender or (iii) to any direct or indirect contractual counterparties in swap agreements relating to the Loans to the extent required in connection with the physical settlement of any Lender's obligations pursuant thereto.

(f) Notwithstanding anything to the contrary contained herein, any Lender (a "GRANTING LENDER") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender is obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall remain obligated to make such Loan pursuant to the terms hereof, (iii) the Borrower shall not be required to pay any amount under Section 4.06 that is greater than the amount which it would have been required to pay had there been no grant to an SPC and (iv) any SPC (or assignee of an SPC) will comply, if applicable, with the provisions contained in Section 4.06. No grant by any Granting Lender to an SPC agreeing to provide a Loan or the making of such Loan by such SPC shall operate to relieve such Granting Lender of its liabilities and obligations hereunder, except to the extent of the making of such Loan by such SPC. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In addition, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by the Administrative Agent in its sole discretion) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 10.07(f) may not be amended without the written consent of any SPC that holds an option to provide Loans. No recourse under any obligation, covenant, or agreement of the SPC contained in this Agreement shall be had against any shareholder, officer, agent or

director of the SPC as such, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is a corporate obligation of the SPC and no personal liability shall attach to or be incurred by any officer, agent or member of the SPC as such, or any of them under or by reason of any of the obligations, covenants or agreements of the SPC contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by the SPC of any such obligations, covenants or agreements, either at law or by statute or constitution, of every such shareholder, officer, agent or director is hereby expressly waived by all parties to this Agreement as a condition of and consideration for the SPC entering into this Agreement; provided, however, that the foregoing shall not relieve any such person or entity of any liability they might otherwise have as a result of fraudulent actions or omissions taken by them. All parties to this Agreement acknowledge and agree that the SPC shall only be liable for any claims that each of them may have against the SPC only to the extent of the SPC's assets. The provisions of this clause shall survive the termination of this Agreement.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) The Administrative Agent shall maintain at its address referred to in Section 10.02 a copy of each Lender Assignment delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "REGISTER"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agents and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

SECTION 10.08. CONFIDENTIALITY. In connection with the negotiation and administration of this Agreement and the other Loan Documents, the Borrower has furnished and will from time to time furnish to the Agents and the Lenders (each, a "RECIPIENT") written information which is identified to the Recipient when delivered as confidential (such information, other than any such information which (i) was publicly available, or otherwise known to the Recipient, at the time of disclosure, (ii) subsequently becomes publicly available other than through any act or omission by the Recipient or (iii) otherwise subsequently becomes known to the Recipient other than through a Person whom the Recipient knows to be acting in violation of his or its obligations to the Borrower, being hereinafter referred to as "CONFIDENTIAL INFORMATION"). The Recipient will not knowingly disclose any such Confidential Information to any third party (other than to those persons who have a confidential relationship with the Recipient), and will take all reasonable steps to restrict access to such information in a manner designed to maintain the confidential nature of such information, in each case until such time as the same ceases to be Confidential Information or as the Borrower may otherwise instruct. It is understood, however, that the foregoing will not restrict the Recipient's ability to freely exchange such Confidential Information with its Affiliates or with prospective Participants in or assignees of the Recipient's

position herein, but the Recipient's ability to so exchange Confidential Information shall be conditioned upon any such Affiliate's or prospective Participant's (as the case may be) entering into an agreement as to confidentiality similar to this Section 10.08. It is further understood that the foregoing will not prohibit the disclosure of any or all Confidential Information if and to the extent that such disclosure may be required (1) by a regulatory agency or otherwise in connection with an examination of the Recipient's records by appropriate authorities, (2) pursuant to court order, subpoena or other legal process or in connection with any proceeding, suit or other action relating to any Loan Document or (3) otherwise, as required by law; in the event of any required disclosure under clause (2) or (3), above, the Recipient agrees to use reasonable efforts to inform the Borrower as promptly as practicable to the extent not prohibited by law. Notwithstanding any other provision of this Agreement, each party (and each Participant pursuant to Section 10.07) (and each employee, representative or other agent of such party (or Participant)) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions contemplated by the Loan Documents and all materials of any kind (including opinions or other tax analyses) that are provided to such party relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

SECTION 10.09. Waiver of Jury Trial. THE BORROWER, THE AGENTS AND THE LENDERS EACH HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

SECTION 10.10. GOVERNING LAW; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE PROMISSORY NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAWS OF THE STATE OF NEW YORK, BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES). THE BORROWER, THE LENDERS AND THE AGENTS, EACH (I) IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT SITTING IN NEW YORK CITY IN ANY ACTION ARISING OUT OF ANY LOAN DOCUMENT, (II) AGREES THAT ALL CLAIMS IN SUCH ACTION MAY BE DECIDED IN SUCH COURT, (III) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM AND (IV) CONSENTS TO THE SERVICE OF PROCESS BY MAIL. A FINAL JUDGMENT IN ANY SUCH ACTION SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY MANNER PERMITTED BY LAW OR AFFECT ITS RIGHT TO BRING ANY ACTION IN ANY OTHER COURT. THE BORROWER AGREES THAT THE AGENTS SHALL HAVE THE RIGHT TO PROCEED AGAINST THE BORROWER OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE THE AGENTS AND THE LENDERS TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE AGENTS OR ANY LENDER. THE BORROWER AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY ANY AGENT

OR ANY LENDER TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF ANY AGENT OR ANY LENDER. THE BORROWER WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH ANY AGENT OR ANY LENDER MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

SECTION 10.11. RELATION OF THE PARTIES; NO BENEFICIARY. No term, provision or requirement, whether express or implied, of any Loan Document, or actions taken or to be taken by any party thereunder, shall be construed to create a partnership, association, or joint venture between such parties or any of them. No term or provision of the Loan Documents shall be construed to confer a benefit upon, or grant a right or privilege to, any Person other than the parties hereto. The Borrower hereby acknowledges that neither any Agent nor any Lender has any fiduciary relationship with or fiduciary duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Agents and the Lenders, on the one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor.

SECTION 10.12. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

SECTION 10.13. SURVIVAL OF AGREEMENT. All covenants, agreements, representations and warranties made herein and in the certificates pursuant hereto shall be considered to have been relied upon by the Agents and the Lenders and shall survive the making by the Lenders of the Extensions of Credit and the execution and delivery to the Lenders of any Promissory Notes evidencing the Extensions of Credit and shall continue in full force and effect so long as any Promissory Note or any amount due hereunder is outstanding and unpaid or any Commitment of any Lender has not been terminated.

SECTION 10.14. LIMITATION OF LIABILITY: COMMUNICATIONS. WITH RESPECT TO COMMUNICATIONS DELIVERED PURSUANT TO SECTION 10.15 OF THIS AGREEMENT, SUCH COMMUNICATIONS AND THE PLATFORM ARE PROVIDED "AS IS" AND "AS AVAILABLE". THE CITIGROUP PARTIES DO NOT WARRANT THE ACCURACY, ADEQUACY OR COMPLETENESS OF THE COMMUNICATIONS OR THE PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS OR THE PLATFORM. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE CITIGROUP PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE PLATFORM. THE BORROWER HEREBY ACKNOWLEDGES THAT ALTHOUGH THE PRIMARY WEB PORTAL IS SECURED WITH A DUAL FIREWALL AND A USER IDENTIFICATION/PASSWORD AUTHORIZATION SYSTEM AND THE PLATFORM IS SECURED THROUGH A SINGLE USER PER DEAL AUTHORIZATION METHOD WHEREBY EACH USER MAY ACCESS

THE PLATFORM ONLY ON A DEAL-BY-DEAL BASIS, THE DISTRIBUTION OF MATERIAL THROUGH AN ELECTRONIC MEDIUM IS NOT NECESSARILY SECURE AND THAT THERE ARE CONFIDENTIALITY AND OTHER RISKS ASSOCIATED WITH SUCH DISTRIBUTION. THE PROVISIONS OF THIS SECTION 10.14 SHALL SURVIVE THE MAKING OF ANY LOAN, THE REPAYMENT THEREOF AND THE TERMINATION OF THIS AGREEMENT AND ANY LOAN DOCUMENT.

SECTION 10.15. PLATFORM AND PRIMARY WEB PORTAL.

(a) The Borrower shall use its commercially reasonable best efforts to transmit to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to this Agreement and the other Loan Documents, including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a notice of borrowing or other extension of credit or a conversion of an existing interest rate on any Loan or borrowing (including, without limitation, any Notice of Conversion), (ii) relates to the payment of any principal or other amount due hereunder prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default hereunder or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any extension of credit hereunder (all such non-excluded communications being referred to herein collectively as "COMMUNICATIONS"), in an electronic/soft medium in a format reasonably acceptable to the Administrative Agent to oploanswebadmin@citigroup.com. In addition, the Borrower shall continue to provide the Communications to the Administrative Agent in the manner specified in this Agreement but only to the extent requested by the Administrative Agent. Each Lender and the Borrower further agree that the Administrative Agent may make the Communications available to the Lenders by posting the Communications on "e-Disclosure" (the "PLATFORM"), the Administrative Agent's internet delivery system that is part of SSB Direct, Global Fixed Income's primary web portal (the "PRIMARY WEB PORTAL").

(b) The Administrative Agent agrees that the receipt of the Communications by the Administrative Agent at its e-mail address set forth in clause (a) above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of this Agreement and under the Loan Documents. Each Lender agrees that notice to it at its e-mail address provided in clause (a) above specifying that Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Lender under this Agreement and under the Loan Documents.

(c) Nothing in this Agreement or any other Loan Document shall prejudice the right of the Administrative Agent or any Lender to give any notice or other communication pursuant hereto or to any other Loan Document in any other manner specified herein or therein.

(d) The provisions of Section 10.15(a) and (b) shall terminate on the date that neither CUSA nor any of the Citigroup Parties is the Administrative Agent.

ARTICLE XI
NO NOVATION; REFERENCES TO THIS AGREEMENT IN LOAN DOCUMENTS

SECTION 11.01. NO NOVATION. It is the express intent of the parties hereto that the Initial Amendment and Restatement and this Agreement (i) shall re-evidence, in part, the Borrower's indebtedness under the Existing Credit Agreements and the Initial Amendment and Restatement, respectively, (ii) is entered into in substitution for, and not in payment of, the obligations of the Borrower under the Existing Credit Agreements and the Initial Amendment and Restatement, respectively, and (iii) is in no way intended to constitute a novation of any of the Borrower's indebtedness which was evidenced by the Existing Credit Agreements, the Initial Amendment and Restatement, or any of the other Loan Documents.

SECTION 11.02. REFERENCES TO THIS AGREEMENT IN LOAN DOCUMENTS. Upon the effectiveness of this Agreement, on and after the date hereof, each reference in any other Loan Document (including any reference therein to "the Credit Agreement," "thereunder," "thereof," "therein" or words of like import referring thereto) shall mean and be a reference to this Agreement.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CMS ENERGY CORPORATION

By: /s/ Laura L. Mountcastle

Name: Laura L. Mountcastle
Title: Authorized Representative

CITICORP USA, INC., as Administrative Agent

By: /s/ Dale R. Goncher

Name: Dale R. Goncher
Title: DIRECTOR

CITIBANK, N.A., as a Lender

By: /s/Dale R. Goncher

Name: Dale R. Goncher
Title: DIRECTOR

Signature Page to Second Amended and Restated Credit Agreement

COMMITMENT SCHEDULE

LENDER	Facility A Commitment	Facility B Commitment
CITIBANK, N.A.	$234,000,000	$175,000,000
Total Commitments:	$234,000,000	$175,000,000

CMS ENERGY CORPORATION
SCHEDULE I
GAAP DEBT BREAKDOWN
AS OF FEBRUARY 28, 2003

BORROWER	FACILITY		CURRENT BALANCE
CMS ENERGY			
	$295.8MM Credit Agreement		$ 123,819,866
	$300MM Credit Agreement		133,800,000
	General Term Notes		
		Series D	79,922,000
		Series E	215,955,000
		Series F	297,686,000
	Sr. Unsecured Notes @ 7 5/8%		175,815,000
	Convert. Sub. Debentures		172,500,000
	Extend. Tenor Rate Adj. Sec.		180,000,000
	Sr. Unsecured Notes @ 7.5%		408,845,000
	Sr. Unsecured Notes @ 6.75%		287,025,000
	Sr. Notes @ 8.9%		260,475,000
	Sr. Notes @ 8 3/8%		150,000,000
	Sr. Notes @ 9.875%		467,558,000
	Premium Equity Participating Security Units		220,000,000
	Sr. Notes @ 8.5%		300,375,000
	CMS Methanol Company		14,000,000
PANHANDLE EASTERN PIPE LINE			
	Sr. Notes @ 6.125%		292,500,000
	Sr. Notes @ 6.5%		158,980,000
	Sr. Notes @ 7.0%		135,890,000
	Sr. Notes @ 8.25%		60,000,000
	Notes @ 7.785%		100,000,000
	Debentures @ 7.2%		58,000,000
	Debentures @ 7.95%		76,500,000
	Citibank Bridge Loan		40,000,000
CMS ENTERPRISES			
	None		
CMS GENERATION COMPANY			
	CMS Capital LLC		4,957,214
CMS GAS TRANSMISSION			
	CMS Capital LLC		11,394,197
	Antrim Gas Term Loan with BOM		22,625,000
	Jackson Pipeline RCF with Tor Dom		2,687,000

CMS ELECTRIC & GAS	None	
CMS MARKETING SERVICES & TRADING	CMS Capital LLC	127,353,473
CMS INTERNATIONAL VENTURES LLC	None	
DEARBORN INDUSTRIAL ENERGY LLC	None	
CMS GENERATION MICHIGAN POWER LLC	None	
DEARBORN INDUSTRIAL GENERATION	CMS Capital LLC	13,337,242
CMS FIELD SERVICES	The CIT Group	731,204
CMS GAS PROCESSING LLC	CMS Capital LLC	6,036,529
CMS NATURAL GAS GATHERING LLC	CMS Capital LLC	3,346,852
PANHANDLE PIPE LINE COMPANY	Trunkline Gas Company S-T	100,000,000
	Trunkline Gas Company L-T	100,000,000
CMS CAPITAL LLC	CMS Enterprises Company	11,197,420
	CMSG Filer City Operating Company	413,815
	CMSG Honey Lake Company	462,258
	CMS Jackson Pipeline Company	91,705
	CMS Bay Area Pipeline Company	1,054,924
	CMSG Graying Holdings Company	1,164,325
	CMSG Operating Company	1,323,669
	CMSG Mon Valley Company	11,563
	CMS Saginaw Bay Lateral Company	276,140
	CMS Antrim Gas LLC	1,370,523
	CMSG Holdings Company	1,206,958
	CMSG Altoona Company	182,228
	CMSG Genesee Company	1,513,182
	CMS Resource Development	2,855,881

	CMSG Recycling Company	371,025
	CMSG Lyonsdale Company	20,160
	Mon Valley Energy	113
	CMSG Chateaugay Company	35,096
	CMS Grands Lacs LLC	1,400,457
	HYDRA-CO Enterprises, Inc.	1,696,027
	CMSG Operating Company II	1,055,368
	HCE Appomattox, Inc.	341,816
	HCE Jamaica Development, Inc.	5,780
	HCO Jamaica, Inc.	164,957
	CMS Electric & Gas Company	4,036,096
	CMS Texon Company	632,042
	CMS Marysville Gas Liquids Company	670,134
	CMSG Stratton Company	72,258
	CMS Field Services, Inc.	34,262,090
	CMS Laverne Gas Processing, LLC	64,085
	Panhandle Eastern Pipeline Company	308,744,037
	Taweeelah A2 Operating Company	810,173
	Dearborn Generation Operating, LLC	3,955,220
	CMS Capital Financial Services, Inc.	602,157
	CMSG Michigan Power, LLC	804,292
	CMS Enterprises Data Mart	243,398
	CMS MS&T Michigan, LLC	15,991,117
	CMS Energy UK Limited	1,879,798
	CMS MicroPower Systems, LLC	3,422,229
	CMSG Investment Company I	808,707
	CMS Business Development, LLC	3,266,068
	CMS Enterprises Development, LLC	232,701
	CMS International Ventures, LLC	3,436,843
	CMS Enterprise Oil & Gas Company	108,856,818
	CMSG Investment Company V	1,553,780
TOTAL GAAP DEBT		$ 5,324,674,009

SCHEDULE II

Pledged Ownership Interests

GRANTOR	PLEDGED SUBSIDIARIES
CMS Energy Corporation	CMS Enterprises Company (100%)
	Consumers Energy Company (100%)
CMS Enterprises Company	CMS Generation Co. (100%)
	CMS Gas Transmission Company (100%)
	CMS Capital, L.L.C. (100%)
	CMS Marketing, Services and Trading Company (100%)
	CMS International Ventures, L.L.C. (40.47%)
CMS International Ventures, L.L.C.	CMS Electric & Gas, L.L.C. (100%)
CMS Generation Co.	CMS International Ventures, L.L.C. (21.02%)
	Dearborn Industrial Energy, L.L.C. (100%)
	CMS Generation Michigan Power L.L.C. (100%)
Dearborn Industrial Energy, L.L.C.	Dearborn Industrial Generation, L.L.C. (100%)
CMS Gas Transmission Company	CMS International Ventures, L.L.C. (37.01%)
	Panhandle Eastern Pipe Line Company (100%)
	CMS Field Services, Inc. (100%)

CMS Field Services, Inc.	CMS Gas Processing, L.L.C. (100%)
	CMS Natural Gas Gathering, L.L.C. (100%)
	CMS Field Services Holdings Company (100%)

ATTACHMENT A

REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Second Amended and Restated Credit Agreement dated as of March 30, 2003 by and among CMS ENERGY CORPORATION (the "Borrower"), the financial institutions from time to time party thereto (the "Lenders"), and CITICORP USA, INC., in its capacity as contractual representative (the "Administrative Agent") (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used in this Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by any Agent or any Lender, each of the undersigned reaffirms the guaranty pursuant to the Guaranty and the grant of a security interest pursuant to the Pledge Agreement executed by it and acknowledges and agrees that each such Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as the same may from time to time hereafter be amended, modified or restated.

Dated as of March 30, 2003

CMS ENTERPRISES COMPANY

By:___________________________
Its:

CMS GENERATION CO.

By:___________________________
Its:

CMS GAS TRANSMISSION COMPANY

By:___________________________
Its:

CMS CAPITAL, L.L.C.

By:___________________________
Its:

CMS ELECTRIC & GAS, L.L.C. (formerly known as CMS Electric and Gas Company)

By:___________________________
Its:

CMS INTERNATIONAL VENTURES, L.L.C.

By:___________________________
Its:

CMS MARKETING, SERVICES
AND TRADING COMPANY

By:___________________________
Its:

CMS FIELD SERVICES
HOLDINGS COMPANY

By:___________________________
Its:

CMS GENERATION MICHIGAN
POWER L.L.C.

By:___________________________
Its:

DEARBORN INDUSTRIAL
ENERGY, L.L.C.

By:___________________________
Its:

DEARBORN INDUSTRIAL
GENERATION, L.L.C.

By:___________________________
Its:

CMS FIELD SERVICES, INC.

By:___________________________
Its:

CMS GAS PROCESSING, L.L.C.

By:___________________________
Its:

CMS NATURAL GAS
GATHERING, L.L.C.

By:___________________________
Its:

EXHIBIT 4(i)

EXECUTION COPY

$441,000,000

CREDIT AGREEMENT

Dated as of March 30, 2003,

Among

CMS ENTERPRISES COMPANY
as Borrower

CMS ENERGY CORPORATION
as a Loan Party

THE BANKS NAMED HEREIN
As Banks

CITICORP USA, INC.
as Administrative Agent and as Collateral Agent

SALOMON SMITH BARNEY INC.,
as Sole Book Manager and Sole Lead Arranger

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EXHIBIT A	-	Form of Notice of Borrowing
EXHIBIT B	-	Form of Notice of Conversion
EXHIBIT C	-	Form of Opinion of Belinda Foxworth, Esq., counsel to the Borrower
EXHIBIT D	-	Form of Opinion of Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Borrower
EXHIBIT E	-	Form of Compliance Schedule
EXHIBIT F	-	Form of Lender Assignment
EXHIBIT G	-	Terms of Subordination (Junior Subordinated Debt)
EXHIBIT H	-	Terms of Subordination (Guaranty of Hybrid Preferred Securities)
EXHIBIT I	-	Form of Guaranty (CMS Energy and Grantors)
EXHIBIT J	-	Form of Pledge and Security Agreement (CMS Energy)
EXHIBIT K	-	Form of Pledge and Security Agreement (Borrower and Grantors)
EXHIBIT L	-	AIG Pledge Agreement
EXHIBIT M	-	Intercreditor Agreement (CMS Energy Facility)

Schedules
- ---------

COMMITMENT SCHEDULE	
SCHEDULE I	Certain Debt
SCHEDULE II	Pledged Ownership Interests

CREDIT AGREEMENT

Dated as of March 30, 2003

THIS CREDIT AGREEMENT (the "AGREEMENT") is made by and among:

(i) CMS Enterprises Company, a Michigan corporation (the "BORROWER"),

(ii) CMS Energy Corporation, a Michigan corporation ("CMS ENERGY"), as one of the Loan Parties (as hereinafter defined),

(iii) the banks (the "BANKS") listed on the signature pages hereof and the other Lenders (as hereinafter defined) from time to time party hereto, and

(iv) Citicorp USA, Inc.("CUSA"), as administrative agent (the "ADMINISTRATIVE AGENT") for the Lenders hereunder and as collateral agent (the "COLLATERAL AGENT") for the Lenders hereunder.

PRELIMINARY STATEMENTS

The Borrower has requested the Banks to provide the credit facility hereinafter described in the amount and on the terms and conditions set forth herein. The Banks have so agreed on the terms and conditions set forth herein, and the Agents have agreed to act as agents for the Lenders on such terms and conditions.

The parties hereto acknowledge and agree that neither Consumers (as hereinafter defined) nor any of its Subsidiaries (as hereinafter defined) will be a party to, or will in any way be bound by any provision of, this Agreement or any other Loan Document (as hereinafter defined), and that no Loan Document will be enforceable against Consumers or any of its Subsidiaries or their respective assets.

Accordingly, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"ABR LOAN" means a Loan that bears interest as provided in Section 3.05(b)(i).

"ADJUSTED LIBO RATE" means, for each Interest Period for each Eurodollar Rate Loan made as part of the same Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"ADMINISTRATIVE QUESTIONNAIRE" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"AFFILIATE" means, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person. A Person shall be deemed to control another entity if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.

"AGENT" means, as the context may require, the Administrative Agent or the Collateral Agent, and "AGENTS" means any or all of the foregoing.

"AIG PLEDGE AGREEMENT" means that certain Pledge and Security Agreement, dated as of January 8, 2003, by and among the Borrower and the other grantors parties thereto in favor of American Home Assurance Company, as collateral agent, a copy of which is attached hereto as Exhibit L, as amended, restated, supplemented or otherwise modified from time to time.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day, (b) 1/2 of one percent above the CD Rate, and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, CD Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE LENDING OFFICE" means, with respect to each Lender, at the address specified for such Lender on its signature page to this Agreement or in the Lender Assignment pursuant to which it became a Lender, as applicable, or at any office, branch, subsidiary or affiliate of such Lender specified in a notice received by the Administrative Agent and the Borrower from such Lender.

"APPLICABLE MARGIN" means, on any date of determination with respect to any Loans, the per annum rate specified in the table below for such Loans:

	Applicable Margin
ABR Loans	4.50%
Eurodollar Rate Loans	5.50%

"APPLICABLE RATE" means:

(i) in the case of each ABR Loan, a rate per annum equal at all times to the sum of the Alternate Base Rate in effect from time to time plus the Applicable Margin; and

(ii) in the case of each Eurodollar Rate Loan comprising part of the same Borrowing, a rate per annum during each Interest Period equal at all times to the sum of the Adjusted LIBO Rate for such Interest Period plus the Applicable Margin.

"APPROVED FUND" means, with respect to any Lender that is a fund that invests in commercial loans, any other fund that invests in commercial loans and is managed or advised by the same investment advisor as such Lender or by an affiliate of such investment advisor.

"ARRANGER" means Salomon Smith Barney Inc..

"AVAILABLE COMMITMENT" means, for each Lender on any day, the unused portion of such Lender's Commitment, computed after giving effect to all Extensions of Credit or prepayments to be made on such day and the application of proceeds therefrom. "AVAILABLE COMMITMENTS" means the aggregate of the Lenders' Available Commitments.

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"BOND CASH COLLATERAL ACCOUNT" is defined in Section 5.01(c)(ii).

"BORROWING" means a borrowing consisting of Loans of the same Type, having the same Interest Period and made or Converted on the same day by the Lenders, ratably in accordance with their respective Percentages. Any Borrowing consisting of Loans of a particular Type may be referred to as being a Borrowing of such "TYPE". All Loans of the same Type, having the same Interest Period and made or Converted on the same day shall be deemed a single Borrowing hereunder until repaid or next Converted.

"BUSINESS DAY" means a day of the year on which banks are not required or authorized to close in New York City and Detroit, Michigan, and, if the applicable Business Day relates to any Eurodollar Rate Loan, on which dealings are carried on in the London interbank market.

"CASH DIVIDEND INCOME" means, for any period, the amount of all cash dividends received by CMS Energy from its Subsidiaries during such period that are paid out of the net income or loss (without giving effect to: any extraordinary gains in excess of $25,000,000, the amount of any write-off or write-down of assets, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts, in each case in accordance with GAAP consistently applied, and up to $200,000,000 of other non-cash write-offs) of such Subsidiaries during such period.

"CD RATE" means the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, in either case, adjusted to the nearest 1/16 of one percent or, if there is no nearest 1/16 of one percent, to the next higher 1/16 of one percent.

"CHANGE OF CONTROL" means (a) any "person" or "group" within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the then outstanding voting capital stock of CMS Energy, or (b) the majority of the board of directors of CMS Energy shall fail to consist of Continuing Directors, or (c) a consolidation or merger of CMS Energy shall occur after which the holders of the outstanding voting capital stock of CMS Energy immediately prior thereto hold less than 50% of the outstanding voting capital stock of the surviving entity, (d) more than 50% of the outstanding voting capital stock of CMS Energy shall be transferred to any entity of which CMS Energy owns less than 50% of the outstanding voting capital stock, or (e) CMS Energy shall cease to own, directly or indirectly, 80% of the then outstanding voting capital stock of the Borrower.

"CITIBANK" means Citibank, N.A., a national banking association.

"CITIGROUP PARTIES" means Citibank, CUSA, Salomon Smith Barney Inc. and each of their respective Affiliates, and each of their respective officers, directors, employees, agents, advisors, and representatives.

"CLOSING DATE" means March 30, 2003.

"CMS ENERGY CREDIT AGREEMENT" means that certain $409,000,000 Second Amended and Restated Credit Agreement, dated as of March 30, 2003, by and among CMS Energy, the Banks and the Agents, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"CMS ENERGY INTEREST EXPENSE" means at any date, the total interest expense in respect of Debt of CMS Energy for the four calendar quarters immediately preceding such date, including, without duplication, (i) interest expense attributable to capital leases, (ii) amortization of debt discount, (iii) capitalized interest, (iv) cash and noncash payments, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs under interest rate swap, "cap", "collar" or other hedging agreements (including amortization of discount) and (vii) interest expense in respect of obligations of Persons deemed to be Debt of CMS Energy under clause (viii) of the definition of Debt, provided, however that CMS Energy Interest

Expense shall exclude any costs otherwise included in interest expense recognized on early retirement of debt.

"COLLATERAL" means all property and interests in property now owned or hereafter acquired by any Loan Party upon which a Lien is granted under any of the Loan Documents.

"COMMITMENT" means, for each Lender, the obligation of such Lender to make Loans to the Borrower prior to the Commitment Termination Date in an aggregate amount no greater than the amount set forth opposite such Lender's name on the Commitment Schedule under the heading "Commitment" or, if such Lender has entered into one or more Lender Assignments, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 10.07(c), in each such case as such amount may be reduced from time to time pursuant to Section 2.03. "COMMITMENTS" means the total of the Lenders' Commitments hereunder. As of the Closing Date the aggregate of all of the Lenders' Commitments equals $441,000,000.

"COMMITMENT FEE MARGIN" means a per annum rate equal to the sum of the Adjusted LIBO Rate for such Interest Period plus 5.50%.

"COMMITMENT SCHEDULE" means the Schedule identifying each Lender's Commitment as of the Closing Date attached hereto and identified as such.

"COMMITMENT TERMINATION DATE" means the earlier of (i) the Conversion Date, (ii) the date of delivery of any Notice to Convert, and (iii) the date of termination or reduction in whole of the Commitments pursuant to Section 2.03 or 8.02.

"COMMUNICATIONS" is defined in Section 10.15.

"CONFIDENTIAL INFORMATION" has the meaning assigned to that term in Section 10.08.

"CONSOLIDATED DEBT" means, without duplication, as determined on a consolidated basis in accordance with GAAP, at any date of determination, the sum of the aggregate Debt of CMS Energy plus the aggregate debt (as such term is construed in accordance with GAAP) of the Consolidated Subsidiaries; provided, however, that:

(a) Consolidated Debt shall not include any Support Obligation described in clause (iv) or (v) of the definition thereof if such Support Obligation or the primary obligation so supported is not fixed or conclusively determined or is not otherwise reasonably quantifiable as of the date of determination;

(b) Consolidated Debt shall not include (i) any Junior Subordinated Debt owned by any Hybrid Preferred Securities Subsidiary or (ii) any guaranty by CMS Energy of payments with respect to any Hybrid Preferred Securities, provided that such guaranty is subordinated to the rights of the Lenders hereunder and under the other Loan Documents pursuant to terms of subordination

substantially similar to those set forth in Exhibit H, or pursuant to other terms and conditions satisfactory to the Required Lenders;

(c) for purposes of this definition only, the percentage of the Net Proceeds from any issuance of hybrid debt/equity securities (other than Junior Subordinated Debt and Hybrid Preferred Securities) by CMS Energy or any Consolidated Subsidiary that shall be considered Consolidated Debt shall be agreed by the Arranger and CMS Energy (and consented to by the Required Lenders) and shall be based on, among other things, the treatment (if any) given to such hybrid securities by the rating agencies;

(d) with respect to any Support Obligations provided by CMS Energy in connection with a purchase or sale by MS&T or its Subsidiaries of natural gas, natural gas liquids, gas condensates, electricity, oil, propane, coal, any other commodity, weather derivatives or any derivative instrument with respect to any commodity with any other Person (a "COUNTERPARTY"), Consolidated Debt shall include only the excess, if any, of (A) the aggregate amount of any Support Obligations provided by CMS Energy in respect of MS&T's or any of its Subsidiary's obligations under any such purchase or sale transaction (a "COVERING TRANSACTION") entered into by MS&T or any of its Subsidiaries in connection with such purchase or sale over (B) the aggregate amount of (i) any Support Obligations provided by the direct or indirect parent company of such Counterparty (the "COUNTERPARTY GUARANTOR") and (ii) any irrevocable letter of credit provided by any financial institution for the account of such Counterparty or Counterparty Guarantor, in each case for the benefit of MS&T or any of its Subsidiaries in support of such Counterparty's payment obligations to MS&T or such Subsidiary arising from such purchase or sale, provided that (x) the senior, unsecured, non-credit enhanced indebtedness of such Counterparty Guarantor or such financial institution (as the case may be) is rated BBB- (or its equivalent) or higher by any two of S&P, Fitch and Moody's, provided that in the event that such Counterparty Guarantor has no such rated indebtedness, Dun & Bradstreet Inc. has rated such Counterparty Guarantor at least investment grade, (y) no default by such Counterparty Guarantor in respect of any such Support Obligations provided by such Counterparty Guarantor has occurred and is continuing and (z) such Counterparty Guarantor is not CMS Energy or any Affiliate of CMS Energy or any of its Subsidiaries;

(e) Consolidated Debt shall not include any Project Finance Debt of CMS Energy or any Consolidated Subsidiary; and

(f) Consolidated Debt shall not include the principal amount of any Securitized Bonds.

"CONSOLIDATED EBITDA" means, with reference to any period, the pretax operating income of CMS Energy and its Subsidiaries ("PRETAX OPERATING INCOME") for such period plus, to the extent deducted in determining Pretax Operating Income (without duplication), (i) depreciation, depletion and amortization, and (ii) any non-cash

write-offs and write-downs contained in CMS Energy's Pretax Operating Income, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts, in each case in accordance with GAAP consistently applied, all calculated for CMS Energy and its Subsidiaries on a consolidated basis for such period; provided, however that Consolidated EBITDA shall not include any operating income attributable to that portion of the revenues of Consumers dedicated to the repayment of the Securitized Bonds.

"CONSOLIDATED SUBSIDIARY" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of CMS Energy in accordance with GAAP.

"CONSUMERS" means Consumers Energy Company, a Michigan corporation, all of whose common stock is on the Closing Date owned by CMS Energy.

"CONSUMERS CREDIT FACILITY" means, collectively, Consumer's existing (i) $300,000,000 term loan facility, (ii) $150,000,000 term loan B facility, (iii) $140,000,000 term loan facility and (iv) $250,000,000 revolving loan facility, as in effect on the date hereof.

"CONSUMERS DIVIDEND RESTRICTION" means any restriction enacted or imposed after October 1, 1992 upon the ability of Consumers to pay cash dividends to CMS Energy in respect of Consumers' capital stock, whether such restriction is imposed by statute, regulation, decisions or rulings by the Michigan Public Service Commission or the Federal Energy Regulatory Commission (or any successor agency or agencies), final judgments of any court of competent jurisdiction, indentures, agreements, contracts or restrictions to which Consumers is a party or by which it is bound or otherwise; provided, that no restriction on such dividends existing on October 1, 1992 shall be a Consumers Dividend Restriction at any time.

"CONTINUING DIRECTOR" means, as of any date of determination, any member of the board of directors of CMS Energy who (a) was a member of such board of directors on the Closing Date, or (b) was nominated for election or elected to such board of directors with the approval of the Continuing Directors who were members of such board of directors at the time of such nomination or election; provided that an individual who is so elected or nominated in connection with a merger, consolidation, acquisition or similar transaction shall not be a Continuing Director unless such individual was a Continuing Director prior thereto.

"CONVERSION", "CONVERT" or "CONVERTED" refers to a conversion of Loans of one Type into Loans of another Type, or to the selection of a new, or the renewal of the same, Interest Period for Loans, as the case may be, pursuant to Section 3.02 or 3.03.

"CONVERSION DATE" is defined in Section 2.01(b).

"DEBT" means, for any Person, without duplication, any and all indebtedness, liabilities and other monetary obligations of such Person (whether for principal, interest, fees, costs, expenses or otherwise, and whether contingent or otherwise) (i) for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, (ii) to pay

the deferred purchase price of property or services (except trade accounts payable arising in the ordinary course of business which are not overdue), (iii) as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, (iv) under reimbursement or similar agreements with respect to letters of credit issued thereunder (except reimbursement obligations and letters of credit that are cash collateralized), (v) under any interest rate swap, "cap", "collar" or other hedging agreements; provided, however, for purposes of the calculation of Debt for this clause (v) only, the actual amount of Debt of such Person shall be determined on a net basis to the extent such agreements permit such amounts to be calculated on a net basis, (vi) to pay rent or other amounts under leases entered into in connection with sale and leaseback transactions involving assets of such Person being sold in connection therewith, (vii) arising from any accumulated funding deficiency (as defined in Section 412(a) of the Internal Revenue Code of 1986, as amended) for a Plan, (viii) arising in connection with any withdrawal liability under ERISA to any Multiemployer Plan and (ix) arising from (A) direct or indirect guaranties in respect of, and obligations to purchase or otherwise acquire, or otherwise to warrant or hold harmless, pursuant to a legally binding agreement, a creditor against loss in respect of, Debt of others referred to in clauses (i) through (viii) above and (B) other guaranty or similar financial obligations in respect of the performance of others, including Support Obligations. Notwithstanding the foregoing, solely for purposes of the calculation required under Section 7.01(j)(ii), Debt shall not include any Junior Subordinated Debt issued by CMS Energy and owned by any Hybrid Preferred Securities Subsidiary.

"DEBT FOR BORROWED MONEY" means, for any Person, without duplication, the sum of (i) Debt of such Person described in clause (i) of the definition of "Debt", plus (ii) all obligations of such Person with respect to receivables sold or otherwise discounted with recourse, plus (iii) all Project Finance Debt entered into by such Person on or after the Closing Date (other than Project Finance Debt incurred substantially contemporaneously with the acquisition or construction of the assets securing such Project Finance Debt), but shall exclude (a) notes, bills and checks presented in the ordinary course of business by such Person to banks for collection or deposit, (b) with respect to CMS Energy and its Subsidiaries, all obligations of CMS Energy and its Subsidiaries of the character referred to in this definition to the extent owing to CMS Energy or any of its Subsidiaries, (c) with respect to Panhandle and its Subsidiaries, refinancings of Debt of Panhandle and its Subsidiaries existing as of the Closing Date, and Debt incurred or collateral delivered on or after the Closing Date with respect to any Support Obligations of Panhandle or its Subsidiaries existing as of the Closing Date, and (d) refinancings of Debt existing as of the Closing Date or incurred after the Closing Date in accordance with this Agreement, as applicable, to the extent such refinancing Debt is otherwise permitted under this Agreement.

"DEFAULT" means an event that, with the giving of notice or lapse of time or both, would constitute an Event of Default.

"DEFAULT RATE" means a rate per annum equal at all times to (i) in the case of any amount of principal of any Loan that is not paid when due, 2% per annum above the Applicable Rate required to be paid on such Loan immediately prior to the date on which

such amount became due, and (ii) in the case of any amount of interest, fees or other amounts payable hereunder that is not paid when due, 2% per annum above the Applicable Rate for an ABR Loan in effect from time to time.

"DESIGNATED PREPAYMENT" means each mandatory prepayment required by clauses (i), (ii), (iii) and (iv) of Section 2.03(c).

"DIVIDEND COVERAGE RATIO" means, at any date, the ratio of (i) Pro Forma Dividend Amounts to (ii) CMS Energy Interest Expense.

"DOLLARS" and the sign "$ " each means lawful money of the United States.

"ENTERPRISES SIGNIFICANT SUBSIDIARY" means CMS Generation Co., CMS Gas Transmission Company, Panhandle, any direct or indirect subsidiary of Panhandle and any other direct subsidiary of the Borrower having a net worth in excess of $50,000,000.

"ENVIRONMENTAL LAWS" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any governmental agency or authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Substance or to health and safety matters.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of CMS Energy or any of its Subsidiaries 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 Substances, (c) exposure to any Hazardous Substances, (d) the release or threatened release of any Hazardous Substances 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.

"EQUITY DISTRIBUTIONS" means, for any period, the aggregate amount of cash received by CMS Energy from its Subsidiaries during such period that are paid out of proceeds from the sale of common equity of Subsidiaries of CMS Energy.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means, with respect to any Person, any trade or business (whether or not incorporated) that is a member of a commonly controlled trade or business under Sections 414(b), (c), (m) and (o) of the Internal Revenue Code of 1986, as amended.

"EURODOLLAR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"EURODOLLAR RATE LOAN" means a Loan that bears interest as provided in Section 3.05(b)(ii).

"EVENT OF DEFAULT" is defined in Section 8.01.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXISTING CREDIT AGREEMENTS" means, collectively, (i) that certain $300,000,000 Amended and Restated Credit Agreement (the "EXISTING 3-YEAR CREDIT AGREEMENT"), and (ii) that certain $295,800,000 Amended and Restated Credit Agreement (the "EXISTING 364-DAY CREDIT AGREEMENT"), each dated as of July 12, 2002, among CMS Energy, the lenders party thereto, Barclays Bank PLC, as administrative agent, Citicorp USA, Inc, as collateral agent, Bank of America, N.A. and JPMorgan Chase Bank, as co-syndication agents, and Citicorp USA, Inc. and Union Bank of California, N.A., as documentation agents, as the same may have been amended, restated, supplemented or otherwise modified from time to time.

"EXTENSION OF CREDIT" means the making of a Borrowing (including any Conversion).

"FAIR MARKET VALUE" means, with respect to any asset, the value of the consideration obtainable in a sale of such asset in the open market, assuming a sale by a willing seller to a willing purchaser dealing at arm's length and arranged in an orderly manner over a reasonable period of time, each having reasonable knowledge of the nature and characteristics of such asset, neither being under any compulsion to act, and, if in excess of $50,000,000, as determined in good faith by the Board of Directors of CMS Energy.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FEE LETTER" is defined in Section 2.02(c).

"FITCH" means Fitch, Inc. or any successor thereto.

"FOREIGN LENDER" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"FOREIGN SUBSIDIARY" is defined in Section 7.01(l).

"GAAP" is defined in Section 1.03.

"GOVERNMENTAL APPROVAL" means any authorization, consent, approval, license, permit, certificate, exemption of, or filing or registration with, any governmental authority or other legal or regulatory body, required in connection with (i) the execution, delivery, or performance of any Loan Document by any Loan Party, (ii) the grant and perfection of any Lien in favor of the Collateral Agent contemplated by the Loan Documents, or (iii) the exercise by any Agent (on behalf of the Lenders) of any right or remedy provided for under the Loan Documents.

"GRANTOR(S)" means each Guarantor and each of the following Subsidiaries of the Borrower: CMS Capital, L.L.C., a Michigan limited liability company, CMS Electric & Gas, L.L.C. (formerly known as CMS Electric and Gas Company), a Michigan limited liability company, MS&T, CMS International Ventures, L.L.C., a Michigan limited liability company, CMS Field Services, Inc., a Michigan corporation, Dearborn Industrial Energy, L.L.C., a Michigan limited liability company, Dearborn Industrial Generation, L.L.C., a Michigan limited liability company, CMS Generation Michigan Power L.L.C., a Michigan limited liability company, CMS Gas Processing, L.L.C., an Oklahoma limited liability company, CMS Natural Gas Gathering, L.L.C., an Oklahoma limited liability company and CMS Field Services Holdings Company, an Oklahoma corporation; provided that it is understood that none of the Grantors (other than CMS Energy) shall grant Liens to secure the Obligations unless and until the Intercreditor Agreement (Enterprises Facility) shall be effective.

"GUARANTOR" means CMS Energy, CMS Generation Co., a Michigan corporation, CMS Gas Transmission Company, a Michigan corporation, and each other Restricted Subsidiary (excluding Panhandle and its Subsidiaries) that has delivered, or shall be obligated to deliver, a guaranty under and pursuant to the terms of Section 7.01(l).

"GUARANTY" means that certain Guaranty (and any and all supplements thereto) executed from time to time by each Guarantor in favor of the Collateral Agent for the benefit of itself and the Lenders, in substantially the form of Exhibit I attached hereto, as amended, restated, supplemented or otherwise modified from time to time.

"HAZARDOUS SUBSTANCE" means any waste, substance, or material identified as hazardous, dangerous or toxic by any office, agency, department, commission, board, bureau, or instrumentality of the United States or of the State or locality in which the same is located having or exercising jurisdiction over such waste, substance or material.

"HYBRID PREFERRED SECURITIES" means any preferred securities issued by a Hybrid Preferred Securities Subsidiary, where such preferred securities have the following characteristics:

(i) such Hybrid Preferred Securities Subsidiary lends substantially all of the proceeds from the issuance of such preferred securities to CMS Energy or a wholly-owned direct or indirect Subsidiary of CMS Energy in exchange for

Junior Subordinated Debt issued by CMS Energy or such wholly-owned direct or indirect Subsidiary, respectively;

(ii) such preferred securities contain terms providing for the deferral of interest payments corresponding to provisions providing for the deferral of interest payments on the Junior Subordinated Debt; and

(iii) CMS Energy or a wholly-owned direct or indirect Subsidiary of CMS Energy (as the case may be) makes periodic interest payments on the Junior Subordinated Debt, which interest payments are in turn used by the Hybrid Preferred Securities Subsidiary to make corresponding payments to the holders of the preferred securities.

"HYBRID PREFERRED SECURITIES SUBSIDIARY" means any Delaware business trust (or similar entity) (i) all of the common equity interest of which is owned (either directly or indirectly through one or more wholly-owned Subsidiaries of CMS Energy or Consumers) at all times by CMS Energy or a wholly-owned direct or indirect Subsidiary of CMS Energy, (ii) that has been formed for the purpose of issuing Hybrid Preferred Securities and (iii) substantially all of the assets of which consist at all times solely of Junior Subordinated Debt issued by CMS Energy or a wholly-owned direct or indirect Subsidiary of CMS Energy (as the case may be) and payments made from time to time on such Junior Subordinated Debt.

"INDEMNIFIED PERSON" is defined in Section 10.04(b).

"INDENTURE" means that certain Indenture, dated as of September 15, 1992, between CMS Energy and the Trustee, as supplemented by the First Supplemental Indenture, dated as of October 1, 1992, the Second Supplemental Indenture, dated as of October 1, 1992, the Third Supplemental Indenture, dated as of May 6, 1997, the Fourth Supplemental Indenture, dated as of September 26, 1997, the Fifth Supplemental Indenture, dated as of November 4, 1997, the Sixth Supplemental Indenture, dated as of January 13, 1998, the Seventh Supplemental Indenture, dated as of January 25, 1999, the Eighth Supplemental Indenture, dated as of February 3, 1999, the Ninth Supplemental Indenture, dated as of June 22, 1999, the Tenth Supplemental Indenture, dated as of October 12, 2000, the Eleventh Supplemental Indenture, dated as of March 29, 2001, and the Twelfth Supplemental Indenture, dated as of July 2, 2001, as said Indenture may be further amended or otherwise modified from time to time in accordance with its terms.

"INITIAL FUNDING DATE" mean the initial date the Loans are made hereunder.

"INTERCREDITOR AGREEMENT (CMS ENERGY FACILITY)" means that certain Intercreditor and Lien Subordination Agreement, dated as of January 8, 2003, by and among Citicorp USA, Inc., as senior collateral agent, American Home Assurance Company, individually and as junior collateral agent, and St. Paul Fire and Marine Insurance Company, individually, a copy of which is attached hereto as Exhibit M, as amended, restated, supplemented or otherwise modified from time to time.

"INTERCREDITOR AGREEMENT (ENTERPRISES FACILITY)" means an intercreditor and lien subordination agreement by and among the Collateral Agent and the other parties to the AIG Pledge Agreement in respect of the subordination of the Collateral Agent's Liens on certain assets of the Grantors to the prior Liens under the AIG Pledge Agreement, in form and substance reasonably acceptable to the Agents, as amended, restated, supplemented or otherwise modified from time to time.

"INTEREST PERIOD" is defined in Section 3.03.

"JUNIOR SUBORDINATED DEBT" means any unsecured Debt of CMS Energy or a Subsidiary of CMS Energy (i) issued in exchange for the proceeds of Hybrid Preferred Securities and (ii) subordinated to the rights of the Lenders hereunder and under the other Loan Documents pursuant to terms of subordination substantially similar to those set forth in Exhibit G, or pursuant to other terms and conditions satisfactory to the Required Lenders.

"LENDER ASSIGNMENT" is defined in Section 10.07(e).

"LENDERS" means the Banks listed on the signature pages hereof, together with their successors and assigns.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, the greater of (i) 2.00% per annum and (ii) the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO RATE" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIEN" is defined in Section 7.02(a).

"LOAN" means a loan by a Lender to the Borrower, and refers to an ABR Loan or a Eurodollar Rate Loan (each of which shall be a "TYPE" of Loan). All Loans by a Lender of the same Type having the same Interest Period and made or Converted on the same day shall be deemed to be a single Loan by such Lender until repaid or next Converted.

"LOAN DOCUMENTS" means this Agreement, any Promissory Notes, the Fee Letter, the Guaranty, the Pledge Agreements, any account control agreement in respect of the

Bond Cash Collateral Account, and all other agreements, instruments and documents now or hereafter executed and/or delivered pursuant hereto or thereto.

"LOAN PARTY" is defined in Section 5.01(a)(i).

"MATERIAL ADVERSE CHANGE" means any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, assets, property, financial condition, results of operations or prospects of CMS Energy and its Subsidiaries, considered as a whole, (b) the Borrower's and the Guarantors' ability, taken as a whole, to perform their obligations under this Agreement or any other Loan Document to which it is or will be a party or (c) the validity or enforceability of any Loan Document or the rights or remedies of any Agent or the Lenders thereunder; provided that the occurrence of any Restatement Event shall not constitute a Material Adverse Change.

"MEASUREMENT QUARTER" is defined in Section 7.01(i).

"MOODY'S" means Moody's Investors Service, Inc. or any successor thereto.

"MS&T" means CMS Marketing, Services and Trading Company, a Michigan corporation, all of whose capital stock is on the Closing Date owned by the Borrower.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NET PROCEEDS" means, with respect to any sale, assignment or other disposition of (but not the lease or license of) any property, or with respect to any sale or issuance of securities or incurrence of Debt, by any Person, gross cash proceeds received by such Person or any Subsidiary of such Person from such sale, assignment, disposition, issuance or incurrence (including cash received as consideration for the assumption or incurrence of liabilities incurred in connection with or in anticipation of such transaction) after (i) provision for all income or other taxes measured by or resulting from such transaction, (ii) payment of all customary underwriting commissions, auditing and legal fees, printing costs, rating agency fees and other customary and reasonable fees and expenses incurred by such Person in connection with such transaction, (iii) all amounts used to repay Debt (and any premium or penalty thereon) secured by a Lien on any asset disposed of in such sale, assignment or other disposition or which is or may be required (by the express terms of the instrument governing such Debt or by applicable law) to be repaid in connection with such sale, assignment, or other disposition, and (iv) deduction of appropriate amounts to be provided by such Person or a Subsidiary of such Person as a reserve, in accordance with GAAP consistently applied, against any liabilities associated with the assets sold, transferred or disposed of in such transaction and retained by such Person or a Subsidiary of such Person after such transaction, provided that "Net Proceeds" shall include on a dollar-for-dollar basis all amounts remaining in such reserve after such liability shall have been satisfied in full or terminated; provided, however, that notwithstanding the foregoing, "Net Proceeds" shall exclude (a) any amounts received or deemed to be received by CMS Energy for the purchase of CMS Energy's capital stock

in connection with CMS Energy's dividend reinvestment program and (b) amounts received by CMS Energy or any Subsidiary of CMS Energy pursuant to any transaction with CMS Energy or any Subsidiary of CMS Energy otherwise permitted hereunder.

"NET WORTH" means, with respect to any Person, the excess of such Person's total assets over its total liabilities, total assets and total liabilities each to be determined in accordance with GAAP consistently applied, excluding, however, from the determination of total assets (i) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, (ii) cash held in a sinking, escrow or other analogous fund established for the purpose of redemption, retirement or prepayment of capital stock or Debt, and (iii) any items not included in clauses (i) or (ii) above, that are treated as intangibles in conformity with GAAP.

"NOTICE OF BORROWING" is defined in Section 3.01(a).

"NOTICE OF CONVERSION" is defined in Section 3.02.

"NOTICE TO CONVERT" is defined in Section 2.01(b).

"OBLIGATIONS" means all unpaid principal of and accrued and unpaid interest on the Loans, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower and other Loan Parties to any of the Agents, the Arranger, the Lenders or any other indemnified party arising under the Loan Documents.

"OECD" means the Organization for Economic Cooperation and Development.

"OFF-BALANCE SHEET LIABILITY" of a Person shall mean any of the following obligations not appearing on such Person's consolidated balance sheet: (i) all lease obligations, leveraged leases, sale and leasebacks and other similar lease arrangements of such Person, (ii) any liability under any so called "synthetic lease" or "tax ownership operating lease" transaction entered into by such Person, and (iii) any obligation arising with respect to any other transaction if and to the extent that such obligation is the functional equivalent of borrowing but that does not constitute a liability on the consolidated balance sheet of such Person.

"OWNERSHIP INTEREST" of CMS Energy in any Consolidated Subsidiary means, at any date of determination, the percentage determined by dividing (i) the aggregate amount of Project Finance Equity in such Consolidated Subsidiary owned or controlled, directly or indirectly, by CMS Energy and any other Consolidated Subsidiary on such date, by (ii) the aggregate amount of Project Finance Equity in such Consolidated Subsidiary owned or controlled, directly or indirectly, by all Persons (including CMS Energy and the Consolidated Subsidiaries) on such date. Notwithstanding anything to the contrary set forth above, if the "Ownership Interest," calculated as set forth above, is 50% or less, such percentage shall be deemed to equal 0%.

"PANHANDLE" means Panhandle Eastern Pipe Line Company, a Delaware corporation, all of whose capital stock is on the Closing Date owned indirectly by the Borrower.

"PARTICIPANT" is defined in Section 10.07(b).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor entity) established under ERISA.

"PERCENTAGE" means, for any Lender on any date of determination, (a) prior to the Commitment Termination Date, the percentage obtained by dividing such Lender's Commitment on such day by the total of the Lenders' Commitments on such date, and multiplying the quotient so obtained by 100%, and (b) from and after the Commitment Termination Date, the percentage obtained by dividing the aggregate outstanding principal amount of such Lender's Loans on such day by the total of the Lenders' Loans on such day, and multiplying the quotient so obtained by 100%.

"PERMITTED INVESTMENTS" means each of the following so long as no such Permitted Investment shall have a final maturity later than six months from the date of investment therein:

(i) direct obligations of the United States, or of any agency thereof, or obligations guaranteed as to principal and interest by the United States or any agency thereof;

(ii) certificates of deposit or bankers' acceptances issued, or time deposits held, or investment contracts guaranteed, by any Lender, any nationally-recognized securities dealer or any other commercial bank, trust company, savings and loan association or savings bank organized under the laws of the United States, or any State thereof, or of any other country which is a member of the OECD, or a political subdivision of any such country, and in each case having outstanding unsecured indebtedness that (on the date of acquisition thereof) is rated AA- or better by S&P or Aa3 or better by Moody's (or an equivalent rating by another nationally-recognized credit rating agency of similar standing if neither of such corporations is then in the business of rating unsecured bank indebtedness);

(iii) obligations with any Lender, any other bank or trust company described in clause (ii), above, or any nationally-recognized securities dealer, in respect of the repurchase of obligations of the type described in clause (i), above provided that such repurchase obligations shall be fully secured by obligations of the type described in said clause (i) and the possession of such obligations shall be transferred to, and segregated from other obligations owned by, such Lender, such other bank or trust company or such securities dealer;

(iv) commercial paper rated (on the date of acquisition thereof) A-1 or P-1 or better by S&P or Moody's, respectively (or an equivalent rating by another

nationally-recognized credit rating agency of similar standing if neither of such corporations is then in the business of rating commercial paper);

(v) any eurodollar certificate of deposit issued by any Lender or any other commercial bank, trust company, savings and loan association or savings bank organized under the laws of the United States, or any State thereof, or of any country which is a member of the OECD, or a political subdivision of any such country, and in each case having outstanding unsecured indebtedness that (on the date of acquisition thereof) is rated AA- or better by S&P or Aa3 or better by Moody's (or an equivalent rating by another nationally-recognized credit rating agency of similar standing if neither of such corporations is then in the business of rating unsecured bank indebtedness); and

(vi) interests in any money market mutual fund which at the date of investment in such fund has the highest fund rating by each of Moody's and S&P which has issued a rating for such fund (which, for S&P, shall mean a rating of AAAm or AAAmg).

"PERSON" means an individual, partnership, corporation (including a business trust), joint stock company, limited liability company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PLAN" means, with respect to any Person, an "employee benefit plan" as defined in Section 3(3) of ERISA (other than a Multiemployer Plan) maintained for employees of such Person or any ERISA Affiliate of such Person that is subject to Title IV of ERISA and has "unfunded benefit liabilities" as determined under Section 4001(a)(18) of ERISA.

"PLAN TERMINATION EVENT" means, (i) with respect to any Plan, a "reportable event" within the meaning of Section 4043 of ERISA and the regulations issued thereunder (other than a "reportable event" not subject to the provision for 30-day notice to the PBGC under such regulations or a "reportable event" for which the provision for the 30-day notice to the PBGC under such regulations has been waived), or (ii) the withdrawal by CMS Energy or any of its ERISA Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA resulting in liability to CMS Energy or any of its ERISA Affiliates under Section 4063 or 4064 of ERISA, or (iii) the filing of a notice of intent to terminate a Plan or the termination of a Plan under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC, or (v) any other event or condition which is reasonably likely to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"PLATFORM" is defined in Section 10.15

"PLEDGE AGREEMENTS" means each of (i) that certain Pledge and Security Agreement, dated as of March 30, 2003, by and between CMS Energy and the Collateral

Agent, in substantially the form of Exhibit J attached hereto, pursuant to which CMS Energy shall grant a security interest in the capital stock of Consumers and the Borrower and a security interest in accounts receivable and notes owed by the Borrower or any Subsidiary of the Borrower to CMS Energy, and (ii) that certain Pledge and Security Agreement, dated as of the effective date of the Intercreditor Agreement (Enterprises Facility), by and among the Grantors and the Collateral Agent in substantially the form of Exhibit K hereto, pursuant to which such Grantors shall grant a security interest in the capital stock (or comparable interest) of each of the Subsidiaries of the Borrower identified as owned by it on Schedule II hereto and a security interest in accounts receivable and notes owed by CMS Energy or the Borrower or any Subsidiary of the Borrower to such Grantor, in each case as the same may be amended, restated, supplemented or otherwise modified from time to time.

"PRIMARY WEB PORTAL" is defined in Section 10.15.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Citibank as its base rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"PRO FORMA DIVIDEND AMOUNT" means, from and after any date of any Consumers Dividend Restriction, the sum of (a) the aggregate amount which Consumers could have paid to CMS Energy during the four calendar quarters immediately preceding such date had such Consumers Dividend Restriction been in effect during such quarters plus (b) cash dividends received by CMS Energy from any other Subsidiary during such quarters.

"PROJECT FINANCE DEBT" means Debt of any Person that is non-recourse to such Person (unless such Person is a special-purpose entity) and any Affiliate of such Person, other than with respect to the interest of the holder of such Debt in the collateral, if any, securing such Debt.

"PROJECT FINANCE EQUITY" means, at any date of determination, consolidated equity of the common, preference and preferred stockholders of CMS Energy and the Consolidated Subsidiaries relating to any obligor with respect to Project Finance Debt.

"PROMISSORY NOTE" means any promissory note of the Borrower payable to the order of a Lender (and, if requested, its registered assigns) issued pursuant to Section 3.01(c); and "PROMISSORY NOTES" means any or all of the foregoing.

"RECIPIENT" is defined in Section 10.08.

"REGISTER" is defined in Section 10.07(h).

"RELATED PARTIES" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"REQUIRED LENDERS" means, on any date of determination, Lenders that, collectively, on such date (i) hold more than 50% of the then aggregate unpaid principal amount of the Loans owing to Lenders and (ii) if no Loans are then outstanding, have Percentages in the aggregate of more than 50%. Any determination of those Lenders constituting the Required Lenders shall be made by the Administrative Agent and shall be conclusive and binding on all parties absent manifest error.

"RESTATEMENT" means the restatement of the financial statements of CMS Energy or its Subsidiaries for any fiscal quarter of 2001, as well as any adjustment of previously announced quarterly results, but only if made to reflect the restatement of such quarters.

"RESTATEMENT EVENT" means (i) the Restatement, (ii) any lawsuit or other action previously or hereafter brought against CMS Energy, any of its Subsidiaries or any of their Affiliates or any present or former officer or director of CMS Energy, any of its Subsidiaries or any of their Affiliates involving or arising out of the Restatement, and any settlement thereof, or other development with respect thereto, or (iii) the occurrence of any default or event of default under any indenture, instrument or other agreement or contract, or the exercise of any remedy in respect thereof, that arises directly or indirectly as a result of any of the matters described in any of the foregoing clauses (i) or (ii) or this clause (iii); provided, however, that, for purposes of the definition of "MATERIAL ADVERSE CHANGE", (a) the foregoing clause (ii) shall be inapplicable if such lawsuit or other action, settlement (in an amount in the aggregate together with all other settlements of such lawsuits or actions) or other development described in such clause (ii) could reasonably be expected, in each case, to result in liability to such Person in excess of $6,000,000 and (b) the foregoing clause (iii) shall be inapplicable if any such event described in such clause (iii) would constitute an Event of Default under Section 8.01(e).

"RESTRICTED SUBSIDIARY" means (i) the Borrowers and (ii) any other Subsidiary of CMS Energy (other than Consumers and its Subsidiaries) that, on a consolidated basis with any of its Subsidiaries as of any date of determination, accounts for more than 10% of the consolidated assets of CMS Energy and its Consolidated Subsidiaries.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., or any successor thereto.

"SECURITIZED BONDS" means any nonrecourse bonds or similar asset-backed securities issued by a special-purpose subsidiary of Consumers which are payable solely from specialized charges authorized by the utility commission of the relevant state in connection with the recovery of regulatory assets or other qualified costs.

"6.75% SENIOR NOTES" means CMS Energy's 6.75% Senior Notes due January 2004, the aggregate outstanding principal amount of which was equal to $287,025,000 as of February 28, 2003.

"SOLVENT", when used with respect to any Person, means that at the time of determination:

(i) the fair market value of its assets is in excess of the total amount of its liabilities (including, without limitation, net contingent liabilities); and

(ii) it is then able and expects to be able to pay its debts (including, without limitation, contingent debts and other commitments) as they mature; and

(iii) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

For purposes of this definition, the amount of contingent liabilities at any time shall be computed as the amount that, in light of all the facts and circumstances known to such Person at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"STATUTORY RESERVE RATE" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Rate Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"SUBSIDIARY" means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether at the time capital stock (or comparable interest) of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by said Person (whether directly or through one or more other Subsidiaries). In the case of an unincorporated entity, a Person shall be deemed to have more than 50% of interests having ordinary voting power only if such Person's vote in respect of such interests comprises more than 50% of the total voting power of all such interests in the unincorporated entity.

"SUPPORT OBLIGATIONS" means, for any Person, without duplication, any financial obligation, contingent or otherwise, of such Person guaranteeing or otherwise supporting any Debt or other obligation of any other Person in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect (including, but not limited to, letters of credit and surety bonds in connection therewith), (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (ii) to purchase property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt, (iii) to maintain working capital, equity capital, available cash or other financial statement condition of the primary obligor

so as to enable the primary obligor to pay such Debt, (iv) to provide equity capital under or in respect of equity subscription arrangements (to the extent that such obligation to provide equity capital does not otherwise constitute Debt), or (v) to perform, or arrange for the performance of, any non-monetary obligations or non-funded debt payment obligations of the primary obligor.

"TAX SHARING AGREEMENT" means the Amended and Restated Agreement for the Allocation of Income Tax Liabilities and Benefits, dated as of January 1, 1994, by and among CMS Energy, each of the members of the Consolidated Group (as defined therein), and each of the corporations that become members of the Consolidated Group.

"TERMINATION DATE" means the earlier to occur of (i) April 30, 2004 and (ii) the date of termination or reduction in whole of the Commitments pursuant to Section 2.03 or 8.02.

"TRUSTEE" has the meaning assigned to that term in the Indenture.

"TYPE" has the meaning assigned to such term (i) in the definition of "Loan" when used in such context and (ii) in the definition of "Borrowing" when used in such context.

SECTION 1.02. COMPUTATION OF TIME PERIODS; CONSTRUCTION.

(a) Unless otherwise indicated, each reference in this Agreement to a specific time of day is a reference to New York City time. In the computation of periods of time under this Agreement, any period of a specified number of days or months shall be computed by including the first day or month occurring during such period and excluding the last such day or month. In the case of a period of time "from" a specified date "to" or "until" a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

(b) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes", and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iv) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (v) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.03. ACCOUNTING TERMS. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 6.01(e) ("GAAP"), it being understood that such financial statements do not reflect the Restatement. If any changes in generally accepted accounting principles are hereafter required or permitted and are adopted by CMS Energy or any of its Subsidiaries, or CMS Energy or any of its Subsidiaries shall change its application of generally accepted accounting principles with respect to any Off-Balance Sheet Liabilities, in each case, with the agreement of its independent certified public accountants, and such changes result in a change in the method of calculation of any of the financial covenants, tests, restrictions or standards herein or in the related definitions or terms used therein ("ACCOUNTING CHANGES"), the parties hereto agree, at the Borrower's request, to enter into negotiations, in good faith, in order to amend such provisions in a credit neutral manner so as to reflect equitably such changes with the desired result that the criteria for evaluating CMS Energy's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; provided, however, until such provisions are amended in a manner reasonably satisfactory to the Agents, the Arranger and the Required Lenders, no Accounting Change shall be given effect in such calculations. In the event such amendment is entered into, all references in this Agreement to GAAP shall mean generally accepted accounting principles as of the date of such amendment. Notwithstanding the foregoing, all financial statements to be delivered by the Borrower pursuant to Section 7.03 shall be prepared in accordance with generally accepted accounting principles in effect at such time.

ARTICLE II
COMMITMENTS

SECTION 2.01. THE COMMITMENTS; CONVERSION TO TERM LOAN.

(a) Each Lender severally agrees, on the terms and conditions hereinafter set forth to make Loans to the Borrower during the period from the Initial Funding Date until the Commitment Termination Date in an aggregate outstanding amount not to exceed on any day such Lender's Available Commitment (after giving effect to all Extensions of Credit to be made on such day and the application of the proceeds thereof). Within the limits hereinafter set forth, the Borrower may request Extensions of Credit hereunder, prepay Loans, and use the resulting increase in the Available Commitments for further Extensions of Credit in accordance with the terms hereof.

(b) At the Borrower's option prior to the 90th day after the Closing Date upon written notice (a "Notice to Convert") to the Administrative Agent (who shall promptly notify each of the Lenders), or automatically on the 90th day after the Closing Date if not converted prior to such date (such date of conversion being the "Conversion Date"), the then outstanding aggregate principal amount of the Loans hereunder shall be converted to a term loan. Any Notice to Convert shall expressly state the applicable Conversion Date and shall be irrevocable once given. The Borrower shall be deemed to have represented and warranted that the conditions contained in Section 5.03 have been satisfied as of the date of any Notice to Convert. Upon delivery of such Notice to Convert (or if no such Notice to Convert is given, upon the automatic Conversion Date described above), (i) the Borrower's option to borrow and reborrow Loans shall terminate, (ii) the aggregate of the Lenders' Commitments shall be reduced to zero,

and (iii) the outstanding principal balance of all Loans hereunder shall be due and payable on the Termination Date. All references in this Agreement to Loans shall include such Loans as converted hereunder.

SECTION 2.02. FEES.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee equal to the product of (i) the average daily amount of such Lender's Available Commitment from the Initial Funding Date, in the case of each Bank, and from the effective date specified in the Lender Assignment pursuant to which it became a Lender, in the case of each other Lender, until the Commitment Termination Date multiplied by (ii) the Commitment Fee Margin in effect as of the date upon which such fee is payable. Such fees shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing the first such date to occur following the Initial Funding Date, and on the Commitment Termination Date.

(b) In addition to the fees provided for in subsection (a) above, the Borrower shall pay to the Administrative Agent, for the account of CUSA and the other Persons entitled thereto, such other fees as are provided for in that certain letter agreement, dated March 30, 2003 among the Borrower, the Agents and the Arranger (the "FEE LETTER"), in the amounts and at the times specified therein.

SECTION 2.03. REDUCTION OF THE COMMITMENTS; MANDATORY PREPAYMENTS.

(a) The Borrower may (and shall provide notice thereof to the Administrative Agent not later than 10:00 a.m. (New York City time) on the date of termination or reduction, and the Administrative Agent shall promptly distribute copies thereof to the Lenders) terminate in whole or reduce ratably in part the unused portions of the Commitments; provided that any such partial reduction shall be in the aggregate amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) Upon the occurrence of a Change of Control the Commitments shall be reduced to zero and the principal amount outstanding hereunder, all interest thereon and all other amounts payable under this Agreement and the other Loan Documents shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

(c) The Borrower shall make the following mandatory prepayments:

(i) Promptly and in any event within 3 Business Days after CMS Energy's or any of its Subsidiaries' receipt of any Net Proceeds from the sale or issuance of equity securities, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to one hundred percent (100%) of such Net Proceeds;

(ii) Promptly and in any event within 3 Business Days after CMS Energy's or any of its Subsidiaries' receipt of any Net Proceeds from the incurrence of Debt For Borrowed Money, other than (a) Debt incurred by Consumers or any Subsidiary of Consumers and (b) Debt giving rise to a Designated Prepayment under clause (iv) below,

the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to one hundred percent (100%) of such Net Proceeds; and

(iii) Promptly and in any event within 3 Business Days after CMS Energy's or any of its Subsidiaries' receipt of any Net Proceeds from the sale, assignment or other disposition of (but not the lease or license of) any property, including, without limitation, any sale of capital stock or other equity interest in any of CMS Energy's direct or indirect Subsidiaries, in an amount, when combined with the Net Proceeds of all other such transactions since the Closing Date that have not been applied to the prepayment of the Obligations in accordance with this clause (iii), in excess of $10,000,000, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to one hundred percent (100%) of such aggregate Net Proceeds, provided that such amount shall exclude Net Proceeds arising from (A) any sale, assignment or other disposition of property by Consumers or any Subsidiary of Consumers (other than the capital stock of Consumers), (B) the sale of all or substantially all of the electrical power book of MS&T and (C) any sale or other disposition by CMS Energy or any of its Subsidiaries in the ordinary course of business consistent with past practice, provided, further that any Designated Prepayment under this clause (iii) arising from the sale or disposition of any Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement shall be applied first to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such Designated Prepayment.

(iv) Promptly, and in any event within 3 Business Days after the reissuance, remarketing, refinancing or repurchase of each of CMS Energy's reset put securities due July 1, 2003 and CMS Energy's general term notes due in 2003 other than with cash collateral required to be deposited into the Bond Cash Collateral Account pursuant to Section 5.01(c)(ii), the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to 100% of the principal amount of the refinanced, reissued, remarketed or repurchased obligations.

Nothing in this Section 2.03(c) shall be construed to constitute the Lenders' consent to any transaction referenced in clauses (i), (ii), (iii) and (iv) above which is not expressly permitted by Article VII. The Borrower shall give the Administrative Agent prior written notice or telephonic notice promptly confirmed in writing (each of which the Administrative Agent shall promptly transmit to each Lender), when a Designated Prepayment will be made (which date of prepayment shall be no later than the date on which such Designated Prepayment becomes due and payable pursuant to this Section 2.03(c)). Designated Prepayments shall be allocated and applied to the outstanding Loans, and shall permanently reduce on a ratable basis the Commitment of each Lender. All Designated Prepayments shall be applied first to repay outstanding ABR Loans and then to repay outstanding Eurodollar Rate Loans with those Eurodollar Rate Loans which have earlier expiring Interest Periods being repaid prior to those which have later expiring Interest Periods.

SECTION 2.04. COMPUTATIONS OF OUTSTANDINGS. Whenever reference is made in this Agreement to the principal amount outstanding on any date under this Agreement, such reference shall refer to the aggregate principal amount of all Loans outstanding on such date under this Agreement after giving effect to all Extensions of Credit to be made on such date and the application of the proceeds thereof. At no time shall the principal amount outstanding under this Agreement exceed the aggregate amount of the Commitments hereunder. References to the unused portion of the Commitments under this Agreement shall refer to the excess, if any, of the Commitments hereunder over the principal amount outstanding hereunder; and references to the unused portion of any Lender's Commitment under this Agreement shall refer to such Lender's Percentage of the unused Commitments hereunder.

ARTICLE III
LOANS

SECTION 3.01. LOANS.

(a) The Borrower may request a Borrowing (other than a Conversion) by delivering a notice (a "NOTICE OF BORROWING") to the Administrative Agent no later than 12:00 noon (New York City time) on the third Business Day or, in the case of ABR Loans, on the first Business Day, prior to the date of the proposed Borrowing. The Administrative Agent shall give each Lender prompt notice of each Notice of Borrowing. Each Notice of Borrowing shall be in substantially the form of Exhibit A and shall specify the requested (i) date of such Borrowing, (ii) Type of Loans to be made in connection with such Borrowing, (iii) Interest Period, if any, for such Loans and (iv) amount of such Borrowing. Each proposed Borrowing shall conform to the requirements of Sections 3.03 and 3.04.

(b) Each Lender shall, before 12:00 noon (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's offices at 2 Penns Way, Suite 200, New Castle, DE 19270, in same day funds, such Lender's Percentage of such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article V, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address. Notwithstanding the foregoing, unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's Percentage of such Borrowing, the Administrative Agent may assume that such Lender has made such Percentage available to the Administrative Agent on the date of such Borrowing in accordance with the first sentence of this subsection (b), and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount.

(c) Any Lender may request that Loans made by it be evidenced by a Promissory Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Promissory Note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such Promissory Note and interest thereon shall at all times (including after assignment pursuant to Section 10.07) be represented by one or more Promissory

Notes in such form payable to the order of the payee named therein (or, if such Promissory Note is a registered note, to such payee and its registered assigns).

SECTION 3.02. CONVERSION OF LOANS. The Borrower may from time to time Convert any Loan (or portion thereof) of any Type to one or more Loans of the same or any other Type by delivering a notice of such Conversion (a "NOTICE OF CONVERSION") to the Administrative Agent no later than 12:00 noon (New York City time) on (x) the third Business Day prior to the date of any proposed Conversion into a Eurodollar Rate Loan and (y) the first Business Day prior to the date of any proposed Conversion into an ABR Loan. The Administrative Agent shall give each Lender prompt notice of each Notice of Conversion. Each Notice of Conversion shall be in substantially the form of Exhibit B and shall specify (i) the requested date of such Conversion, (ii) the Type of, and Interest Period, if any, applicable to, the Loans (or portions thereof) proposed to be Converted, (iii) the requested Type of Loans to which such Loans (or portions thereof) are proposed to be Converted, (iv) the requested initial Interest Period, if any, to be applicable to the Loans resulting from such Conversion and (v) the aggregate amount of Loans (or portions thereof) proposed to be Converted. Each proposed Conversion shall be subject to the provisions of Sections 3.03 and 3.04.

SECTION 3.03. INTEREST PERIODS. The period between the date of each Eurodollar Rate Loan and the date of payment in full of such Loan shall be divided into successive periods of months ("INTEREST PERIODS") for purposes of computing interest applicable thereto. The initial Interest Period for each such Loan shall begin on the day such Loan is made, and each subsequent Interest Period shall begin on the last day of the immediately preceding Interest Period for such Loan. The duration of each Interest Period shall be 1, 2, 3, or 6 months, as the Borrower may, in accordance with Section 3.01 or 3.02, select; provided, however, that:

(i) the Borrower may not select any Interest Period for a Eurodollar Rate Loan that ends after the Termination Date;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period.

SECTION 3.04. OTHER TERMS RELATING TO THE MAKING AND CONVERSION OF LOANS.

(a) Notwithstanding anything in Section 3.01 or 3.02 to the contrary:

(i) each Borrowing shall be in an aggregate amount not less than $5,000,000, or an integral multiple of $1,000,000 in excess thereof (or such lesser amount as shall be equal to the total amount of the Available Commitments on such date, after giving effect to all other Extensions of Credit to be made on such date), and shall consist of Loans of

the same Type, having the same Interest Period and made or Converted on the same day by the Lenders ratably according to their respective Percentages;

(ii) the Borrower may request that more than one Borrowing be made on the same day;

(iii) at no time shall the sum of all Borrowings comprising Eurodollar Rate Loans outstanding hereunder be greater than ten (10);

(iv) no Eurodollar Rate Loan may be Converted on a date other than the last day of the Interest Period applicable to such Loan unless the corresponding amounts, if any, payable to the Lenders pursuant to Section 4.04(b) are paid contemporaneously with such Conversion;

(v) if the Borrower shall either fail to give a timely Notice of Conversion pursuant to Section 3.02 in respect of any Loans or fail, in any Notice of Conversion that has been timely given, to select the duration of any Interest Period for Loans to be Converted into Eurodollar Rate Loans in accordance with Section 3.03, such Loans shall, on the last day of the then existing Interest Period therefor, automatically Convert into, or remain as, as the case may be, ABR Loans; and

(vi) if, on the date of any proposed Conversion, any Event of Default or Default shall have occurred and be continuing, all Loans then outstanding shall, on such date, automatically Convert into, or remain as, as the case may be, ABR Loans.

(b) If any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Applicable Lending Office to perform its obligations hereunder to make, or to fund or maintain, Eurodollar Rate Loans hereunder, (i) the obligation of such Lender to make, or to Convert Loans into, Eurodollar Rate Loans for such Borrowing or any subsequent Borrowing from such Lender shall be forthwith suspended until the earlier to occur of the date upon which (A) such Lender shall cease to be a party hereto and (B) it is no longer unlawful for such Lender to make, fund or maintain Eurodollar Rate Loans, and (ii) if the maintenance of Eurodollar Rate Loans then outstanding through the last day of the Interest Period therefor would cause such Lender to be in violation of such law, regulation or assertion, the Borrower shall either prepay or Convert all Eurodollar Rate Loans from such Lender within five days after such notice. Promptly upon becoming aware that the circumstances that caused such Lender to deliver such notice no longer exist, such Lender shall deliver notice thereof to the Administrative Agent (but the failure to do so shall impose no liability upon such Lender). Promptly upon receipt of such notice from such Lender (or upon such Lender's assigning all of its Commitment, Loans, participation and other rights and obligations hereunder pursuant to Section 10.07), the Administrative Agent shall deliver notice thereof to the Borrower and the Lenders and such suspension shall terminate.

(c) If the Required Lenders shall, at least one Business Day before the date of any requested Borrowing, notify the Administrative Agent that the Adjusted LIBO Rate for Eurodollar Rate Loans to be made in connection with such Borrowing will not adequately reflect

the cost to such Required Lenders of making, funding or maintaining their respective Eurodollar Rate Loans for such Borrowing, or that they are unable to acquire funding in a reasonable manner so as to make available Eurodollar Rate Loans in the amount and for the Interest Period requested, or if the Administrative Agent shall determine that adequate and reasonable means do not exist to be able to determine the Adjusted LIBO Rate, then the right of the Borrower to select Eurodollar Rate Loans for such Borrowing and any subsequent Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist, and each Loan to be made or Converted in connection with such Borrowing shall be an ABR Loan.

(d) If any Lender shall have delivered a notice to the Administrative Agent described in Section 3.04(b), and if and so long as such Lender shall not have withdrawn such notice in accordance with said Section 3.04(b), the Borrower or the Administrative Agent may demand that such Lender assign in accordance with Section 10.07, to one or more banks or other financial institutions designated by the Borrower or the Administrative Agent (each a "PROSPECTIVE LENDER"), all (but not less than all) of such Lender's Commitment, Loans, participation and other rights and obligations hereunder; provided that any such demand by the Borrower during the continuance of an Event of Default or Default shall be ineffective without the consent of the Required Lenders. If, within 30 days following any such demand by the Administrative Agent or the Borrower, any such Prospective Lender so designated shall fail to consummate such assignment on terms reasonably satisfactory to such Lender, or the Borrower and the Administrative Agent shall have failed to designate any such Prospective Lender, then such demand by the Borrower or the Administrative Agent shall become ineffective, it being understood for purposes of this provision that such assignment shall be conclusively deemed to be on terms reasonably satisfactory to such Lender, and such Lender shall be compelled to consummate such assignment forthwith, if such Prospective Lender (i) shall agree to such assignment in substantially the form of the Lender Assignment attached hereto as Exhibit F and (ii) shall tender payment to such Lender in an amount equal to the full outstanding dollar amount accrued in favor of such Lender hereunder (as computed in accordance with the records of the Administrative Agent), including, without limitation, all accrued interest and fees and, to the extent not paid by the Borrower, any payments required pursuant to Section 4.04(b).

(e) Each Notice of Borrowing and Notice of Conversion shall be irrevocable and binding on the Borrower. In the case of any Borrowing which the related Notice of Borrowing or Notice of Conversion specifies is to be comprised of Eurodollar Rate Loans, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill, on or before the date specified in such Notice of Borrowing or Notice of Conversion for such Borrowing, the applicable conditions (if any) set forth in this Article III (other than failure pursuant to the provisions of Section 3.04(b) or (c) hereof) or in Article V, including any such loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Loan to be made by such Lender when such Loan, as a result of such failure, is not made on such date.

SECTION 3.05. REPAYMENT OF LOANS; INTEREST

(a) Principal. The Borrower shall repay the outstanding principal amount of the Loans on the Termination Date (or such earlier date as may be required pursuant to Section 2.03).

(b) Interest. The Borrower shall pay interest on the unpaid principal amount of each Loan owing to each Lender from the date of such Loan until such principal amount shall be paid in full, at the Applicable Rate for such Loan (except as otherwise provided in this subsection (b)), payable as follows:

(i) ABR Loans. If such Loan is an ABR Loan, interest thereon shall be payable quarterly in arrears on the last day of each March, June, September and December, on the date of any Conversion of such ABR Loan and on the date such ABR Loan shall become due and payable or shall otherwise be paid in full; provided that any amount of principal that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the Default Rate.

(ii) Eurodollar Rate Loans. If such Loan is a Eurodollar Rate Loan, interest thereon shall be payable on the last day of such Interest Period and, if the Interest Period for such Loan has a duration of more than three months, on that day of each third month during such Interest Period that corresponds to the first day of such Interest Period (or, if any such month does not have a corresponding day, then on the last day of such month); provided that any amount of principal that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the Default Rate.

ARTICLE IV
PAYMENTS, COMPUTATIONS AND YIELD PROTECTION

SECTION 4.01. PAYMENTS AND COMPUTATIONS.

(a) The Borrower shall make each payment hereunder and under the other Loan Documents not later than 2:00 p.m. (New York City time) on the day when due in Dollars to the Administrative Agent at its offices at 2 Penns Way, Suite 200, New Castle, DE 19270, in same day funds; any payment received after 3:00 p.m. (New York City time) shall be deemed to have been received at the start of business on the next succeeding Business Day, unless the Administrative Agent shall have received from, or on behalf of, the Borrower a Federal Reserve reference number with respect to such payment before 4:00 p.m. (New York City time). The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable to the Lenders, to the respective Lenders to which the same are payable, for the account of their respective Applicable Lending Offices, in each case to be applied in accordance with the terms of this Agreement. If and to the extent that any distribution of any payment from the Borrower required to be made to any Lender pursuant to the preceding sentence shall not be made in full by the Administrative Agent on the date such payment was received by the Administrative Agent, the Administrative Agent shall

pay to such Lender, upon demand, interest on the unpaid amount of such distribution, at a rate per annum equal to the Federal Funds Effective Rate, from the date of such payment by the Borrower to the Administrative Agent to the date of payment in full by the Administrative Agent to such Lender of such unpaid amount. Upon the Administrative Agent's acceptance of a Lender Assignment and recording of the information contained therein in the Register pursuant to Section 10.07, from and after the effective date specified in such Lender Assignment, the Administrative Agent shall make all payments hereunder and under any Promissory Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Lender Assignment shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes the Administrative Agent and each Lender, if and to the extent payment owed to the Administrative Agent or such Lender, as the case may be, is not made when due hereunder (or, in the case of a Lender, under any Promissory Note held by such Lender), to charge from time to time against any or all of the Borrower's accounts with the Administrative Agent or such Lender, as the case may be, any amount so due.

(c) All computations of interest based on the Alternate Base Rate (when the Alternate Base Rate is based on the Prime Rate) shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be. All other computations of interest and fees hereunder (including computations of interest based on the Adjusted LIBO Rate and the Federal Funds Effective Rate) shall be made by the Administrative Agent on the basis of a year of 360 days. In each such case, such computation shall be made for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each such determination by the Administrative Agent or a Lender shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under any other Loan Document shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest and fees hereunder; provided, however, that if such extension would cause payment of interest on or principal of Eurodollar Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day and such reduction of time shall in such case be included in the computation of payment of interest hereunder.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, such Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender, together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Effective Rate.

(f) Any amount payable by the Borrower hereunder or under any of the Promissory Notes that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall (to the fullest extent permitted by law) bear interest, from the date when due until paid in full, at a rate per annum equal at all times to the Default Rate, payable on demand.

(g) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied, subject to Section 4.07, (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal then due hereunder, ratably among the parties entitled thereto.

SECTION 4.02. INTEREST RATE DETERMINATION. The Administrative Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 3.05(b)(i) or (ii).

SECTION 4.03. PREPAYMENTS. The Borrower shall have no right to prepay any principal amount of any Loans other than as provided in subsections (a) and (b) below.

(a) The Borrower may (and shall provide notice thereof to the Administrative Agent not later than 10:00 a.m. (New York City time) on the date of prepayment, and the Administrative Agent shall promptly distribute copies thereof to the Lenders), and if such notice is given, the Borrower shall, prepay the outstanding principal amounts of Loans made as part of the same Borrowing, in whole or ratably in part, together with (i) accrued interest to the date of such prepayment on the principal amount prepaid and (ii) in the case of Eurodollar Rate Loans, any amount payable to the Lenders pursuant to Section 4.04(b); provided, however, that each partial prepayment shall be in an aggregate principal amount of not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) On the date of any termination or optional or mandatory reduction of the Commitments pursuant to Section 2.03, the Borrower shall pay or prepay the principal outstanding on the Loans in full in cash in an amount equal to the excess of (i) the sum of the aggregate principal amount of the Loans outstanding (after giving effect to all Extensions of Credit to be made on such date and the application of the proceeds thereof) over (ii) the aggregate amount of the Commitments (following such termination or reduction, if any), together with (x) accrued interest to the date of such prepayment on the principal amount repaid and (y) in the case of prepayments of Eurodollar Rate Loans, any amount payable to the Lenders pursuant to Section 4.04(b). Any payments and prepayments required by this subsection (b) shall be applied to outstanding ABR Loans up to the full amount thereof before they are applied to outstanding Eurodollar Rate Loans.

SECTION 4.04. YIELD PROTECTION.

(a) Increased Costs. If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation after the Closing Date, or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) issued or made after the Closing Date, there shall be reasonably

incurred any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans, then the Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost and giving a reasonable explanation thereof, submitted to the Borrower and the Administrative Agent by such Lender shall constitute such demand and shall be conclusive and binding for all purposes, absent manifest error.

(b) Breakage. If, due to any prepayment pursuant to Section 4.03, an acceleration of maturity of the Loans pursuant to Section 8.02, or any other reason, any Lender receives payments of principal of any Eurodollar Rate Loan other than on the last day of the Interest Period relating to such Loan or if the Borrower shall Convert any Eurodollar Rate Loans on any day other than the last day of the Interest Period therefor, or if the Borrower shall fail to prepay a Eurodollar Rate Loan on the date specified in a notice of prepayment, the Borrower shall, promptly after demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for additional losses, costs, or expenses (including anticipated lost profits) that such Lender may reasonably incur as a result of such payment, Conversion or failure to prepay, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Loan. For purposes of this subsection (b), a certificate setting forth the amount of such additional losses, costs, or expenses and giving a reasonable explanation thereof, submitted to the Borrower and the Administrative Agent by such Lender, shall constitute such demand and shall be conclusive and binding for all purposes, absent manifest error.

(c) Capital. If any Lender determines that (i) compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender, whether directly, or indirectly as a result of commitments of any corporation controlling such Lender (but without duplication), and (ii) the amount of such capital is increased by or based upon (A) the existence of such Lender's commitment to lend hereunder, or (B) the issuance or maintenance of any Loan and (C) other similar such commitments, then, upon demand by such Lender, the Borrower shall immediately pay to the Administrative Agent for the account of such Lender from time to time as specified by such Lender additional amounts sufficient to compensate such Lender in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the transactions contemplated hereby. A certificate as to such amounts and giving a reasonable explanation thereof (to the extent permitted by law), submitted to the Borrower and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(d) Notices. Each Lender hereby agrees to use its best efforts to notify the Borrower of the occurrence of any event referred to in subsection (a), (b) or (c) of this Section 4.04 promptly after becoming aware of the occurrence thereof. The failure of any Lender to provide such notice or to make demand for payment under said subsection shall not constitute a waiver of such Lender's rights hereunder; provided that, notwithstanding any provision to the

contrary contained in this Section 4.04, the Borrower shall not be required to reimburse any Lender for any amounts or costs incurred under subsection (a), (b) or (c) above, more than 90 days prior to the date that such Lender notifies the Borrower in writing thereof, in each case unless, and to the extent that, any such amounts or costs so incurred shall relate to the retroactive application of any event notified to the Borrower which entitles such Lender to such compensation. If any Lender shall subsequently determine that any amount demanded and collected under this Section 4.04 was done so in error, such Lender will promptly return such amount to the Borrower.

(e) Survival of Obligations. Subject to subsection (d) above, the Borrower's obligations under this Section 4.04 shall survive the repayment of all other amounts owing to the Lenders and the Agents under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Borrower under this Section 4.04 are unenforceable for any reason, the Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION 4.05. SHARING OF PAYMENTS, ETC. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Loans owing to it (other than pursuant to Section 4.04 or Section 4.06) in excess of its ratable share of payments obtained by all the Lenders on account of the Loans of such Lenders, such Lender shall forthwith purchase from the other Lenders such participation in the Loans owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 4.05 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. Notwithstanding the foregoing, if any Lender shall obtain any such excess payment involuntarily, such Lender may, in lieu of purchasing participations from the other Lenders in accordance with this Section 4.05, on the date of receipt of such excess payment, return such excess payment to the Administrative Agent for distribution in accordance with Section 4.01(a).

SECTION 4.06. TAXES.

(a) All payments by the Borrower hereunder and under the other Loan Documents shall be made in accordance with Section 4.01, free and clear of and without deduction for all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and each Agent, taxes imposed on its overall net income, and franchise taxes imposed on it by the jurisdiction under the laws of which such Lender or Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and

franchise taxes imposed on it by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "TAXES"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.06) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under any other Loan Document or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as "OTHER TAXES").

(c) The Borrower will indemnify each Lender and Agent for the full amount of Taxes and Other Taxes (including any Taxes and any Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.06) paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within thirty (30) days from the date such Lender or Agent (as the case may be) makes written demand therefor; provided, that such Lender or Agent (as the case may be) shall not be entitled to demand payment under this Section 4.06 for an amount if such demand is not made within one year following the date upon which such Lender or Agent (as the case may be) shall have been required to pay such amount.

(d) Within thirty (30) days after the date of any payment of Taxes, the Borrower will furnish to the Administrative Agent, at its address referred to in Section 10.02, the original or a certified copy of a receipt evidencing payment thereof.

(e) Each Bank represents and warrants that either (i) it is organized under the laws of a jurisdiction within the United States or (ii) it has delivered to the Borrower or the Administrative Agent duly completed copies of such form or forms prescribed by the United States Internal Revenue Service indicating that such Bank is entitled to receive payments without deduction or withholding of any United States federal income taxes, as permitted by the Internal Revenue Code of 1986, as amended. Each other Lender agrees that, on or prior to the date upon which it shall become a party hereto, and upon the reasonable request from time to time of the Borrower or the Administrative Agent, such Lender will deliver to the Borrower and the Administrative Agent (to the extent that it is not prohibited by law from doing so) either (A) a statement that it is organized under the laws of a jurisdiction within the United States or (B) duly completed copies of such form or forms as may from time to time be prescribed by the United States Internal Revenue Service, indicating that such Lender is entitled to receive payments without deduction or withholding of any United States federal income taxes, as permitted by the Internal Revenue Code of 1986, as amended. Each Bank that has delivered, and each other

Lender that hereafter delivers, to the Borrower and the Administrative Agent the form or forms referred to in the two preceding sentences further undertakes to deliver to the Borrower and the Administrative Agent, to the extent that it is not prohibited by law from doing so, further copies of such form or forms, or successor applicable form or forms, as the case may be, as and when any previous form filed by it hereunder shall expire or shall become incomplete or inaccurate in any respect. Each Lender represents and warrants that each such form supplied by it to the Administrative Agent and the Borrower pursuant to this subsection (e), and not superseded by another form supplied by it, is or will be, as the case may be, complete and accurate.

SECTION 4.07. APPORTIONMENT OF PAYMENTS.

(a) Subject to the provisions of Section 2.03 and Section 4.07(b), all payments of principal and interest in respect of outstanding Loans, all payments of fees and all other payments in respect of any other Obligations hereunder, shall be allocated among such of the Lenders as are entitled thereto, ratably or otherwise as expressly provided herein. Except as provided in Section 4.07(b) with respect to payments and proceeds of Collateral received after the occurrence of an Event of Default, all such payments and any other amounts received by the Administrative Agent from or for the benefit of the Borrower shall be applied

(i) first, to pay principal of and interest on any portion of the Loans which the Administrative Agent may have advanced on behalf of any Lender other than CUSA for which the Administrative Agent has not then been reimbursed by such Lender or the Borrower,

(ii) second, to pay interest on the Loans and then the principal of the Loans, in each case, then due and payable (in the order described hereinbelow),

(iii) third, to pay all other Obligations of any Loan Party under any Loan Document then due and payable, ratably, and

(iv) fourth, as the Borrower so designates.

All such principal and interest payments in respect of the Loans shall be applied first to repay outstanding ABR Loans and then to repay outstanding Eurodollar Rate Loans with those Eurodollar Rate Loans which have earlier expiring Interest Periods being repaid prior to those which have later expiring Interest Periods

(b) During the continuance of an Event of Default and after declaration thereof by written notice from the Administrative Agent to the Borrower, the Administrative Agent shall apply all payments in respect of any Loans, and the Collateral Agent shall deliver all proceeds of Collateral to the Administrative Agent for application, in the following order:

(i) first, to pay principal of and interest on any portion of the Loans which the Administrative Agent may have advanced on behalf of any Lender other than CUSA for which the Administrative Agent has not then been reimbursed by such Lender or the Borrower;

(ii) second, to pay any fees, expense reimbursements or indemnities then due to the Agents under any of the Loan Documents;

(iii) third, to pay any fees, expense reimbursements or indemnities then due to the Lenders under any of the Loan Documents;

(iv) fourth, to pay interest due in respect of the Loans ratably in accordance with the Lenders' respective Percentages;

(v) fifth, to the payment or prepayment of principal outstanding on all Loans;

(vi) sixth, to the ratable payment of all other Obligations of the Loan Parties then outstanding under the Loan Documents.

Notwithstanding the foregoing, the Collateral Agent shall apply the proceeds of any voluntary sale of Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds. The order of priority set forth in this Section 4.07(b) and the related provisions of this Agreement are set forth solely to determine the rights and priorities of the Agents and the Lenders as among themselves.

SECTION 4.08. Proceeds of Collateral. During the continuance of an Event of Default and after declaration thereof by written notice from the Administrative Agent to the Borrower, the Borrower shall cause all proceeds of Collateral to be deposited pursuant to arrangements for the collection of such amounts established by the Borrower and the Administrative Agent (or the Collateral Agent, as applicable) for application pursuant to Section 4.07 (other than proceeds in respect of Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds, which proceeds shall then be applied to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement). All collections of proceeds of Collateral which are received directly by the Borrower or any Subsidiary of the Borrower shall be deemed to have been received by the Borrower or such Subsidiary of the Borrower as the Collateral Agent's trustee and, during the continuance of an Event of Default and after declaration thereof by written notice from the Administrative Agent to the Borrower, upon the Borrower's or such Subsidiary's receipt thereof, the Borrower shall immediately transfer or cause to be transferred all such amounts to the Administrative Agent for application pursuant to Section 4.07 (other than proceeds in respect of Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds, which proceeds shall then be applied to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement). All other proceeds of Collateral received by the Collateral Agent and/or the Administrative Agent, whether through direct payment or otherwise, will be

deemed received by such Agent, will be the sole property of such Agent, and will be held by such Agent, for the benefit of the Lenders for application pursuant to Section 4.07 (other than proceeds in respect of Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds, which proceeds shall then be applied to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement).

ARTICLE V
CONDITIONS PRECEDENT

SECTION 5.01. CONDITIONS PRECEDENT TO THE EFFECTIVENESS OF THIS AGREEMENT. The effectiveness of this Agreement is subject to the fulfillment of the following conditions precedent:

(a) The Administrative Agent shall have received, on or before the Closing Date, the following, in form and substance satisfactory to each Lender (except where otherwise specified below) and (except for any Promissory Notes) in sufficient copies for each Lender:

(i) Certified copies of the resolutions of the Board of Directors, or of the Executive Committee of the Board of Directors (or persons performing similar functions), of the Borrower, each Guarantor and each other Grantor (each a "LOAN PARTY") authorizing each such Loan Party to enter into each Loan Document to which it is, or is to be, a party, and of all documents evidencing other necessary corporate or other action and Governmental Approvals, if any, with respect to each such Loan Document.

(ii) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names, true signatures and incumbency of (A) the officers of such Loan Party authorized to sign the Loan Documents to which it is, or is to be, a party, and the other documents to be delivered hereunder and thereunder and (B) the representatives of such Loan Party authorized to sign notices to be provided under the Loan Documents to which it is, or is to be, a party, which representatives shall be acceptable to the Administrative Agent.

(iii) Copies of the Certificate of Incorporation and by-laws (or comparable constitutive documents) of each Loan Party, together with all amendments thereto, certified by the Secretary or an Assistant Secretary of each such Loan Party.

(iv) Good Standing Certificates (or other similar certificate) for each of the Loan Parties, issued by the Secretary of State of the jurisdiction of organization of each such Loan Party as of a recent date.

(v) The Guaranty, duly executed by each Guarantor.

(vi) The Pledge Agreement described in clause (i) of the definition of "Pledge Agreements", duly executed by CMS Energy.

(vii) A certified copy of Schedule I hereto, in form and substance reasonably satisfactory to the Administrative Agent setting forth:

(A) all Project Finance Debt of the Consolidated Subsidiaries, together with the Borrower's Ownership Interest in each such Consolidated Subsidiary, as of February 28, 2003; and

(B) debt (as such term is construed in accordance with GAAP) of the Loan Parties as of February 28, 2003.

(viii) A certificate, executed by a duly authorized officer of the Borrower, confirming that attached thereto is a true, correct and complete copy of the CMS Energy Credit Agreement, as in effect on the Closing Date, which CMS Energy Credit Agreement shall amend and restate Existing Credit Agreements on terms and conditions reasonably acceptable to the Agents.

(ix) Favorable opinions of:

(A) Belinda Foxworth, Esq., Deputy General Counsel of the Borrower and counsel for the other Loan Parties, in substantially the form of Exhibit C and as to such other matters as the Required Lenders, through the Administrative Agent, may reasonably request; and

(B) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Loan Parties in substantially the form of Exhibit D and as to such other matters as the Administrative Agent may reasonably request.

(b) The following statements shall be true and the Administrative Agent shall have received a certificate of a duly authorized officer of the Borrower, dated the Closing Date and in sufficient copies for each Lender stating that:

(i) the representations and warranties set forth in Section 6.01 of this Agreement are true and correct on and as of the Closing Date as though made on and as of such date,

(ii) no event has occurred and is continuing that constitutes a Default or an Event of Default, and

(iii) all Governmental Approvals necessary in connection with the Loan Documents and the transactions contemplated thereby have been obtained and are in full force and effect, and all third party approvals necessary or advisable in connection with the Loan Documents and the transactions contemplated thereby have been obtained and are in full force and effect, other than filings necessary to create or perfect security interests in the Collateral or as may be required under applicable energy, antitrust or securities laws in connection with the exercise of remedies with respect to certain Collateral.

(c) The Administrative Agent shall have received evidence satisfactory to it that:

(i) all financing statements relating to the Collateral have been completed for filing or recording and/or filed, and all certificates representing capital stock or other ownership interests included in the Collateral have been delivered to the Collateral Agent (with duly executed stock powers); and

(ii) the Borrower has deposited cash into a cash collateral account (the "Bond Cash Collateral Account") in respect of which the Collateral Agent shall have a first priority security interest, which cash collateral shall be used as further described in Section 7.01(n).

SECTION 5.02. CONDITIONS PRECEDENT TO EACH EXTENSION OF CREDIT. The obligation of each Lender to make an Extension of Credit (including the initial Extension of Credit, but excluding the Conversion of a Eurodollar Rate Loan into an ABR Loan) shall be subject to the further conditions precedent that, on the date of such Extension of Credit and after giving effect thereto:

(a) The following statements shall be true (and each of the giving of the applicable notice or request with respect thereto and the making of such Extension of Credit without prior correction by the Borrower shall (to the extent that such correction has been previously consented to by the Lenders) constitute a representation and warranty by the Borrower that, on the date of such Extension of Credit, such statements are true):

(i) the representations and warranties contained in Section 6.01 of this Agreement (other than those contained in subsections (e)(iii) and (f) thereof) are correct on and as of the date of such Extension of Credit, before and after giving effect to such Extension of Credit and to the application of the proceeds thereof, as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such Extension of Credit or the application of the proceeds thereof.

(b) The Administrative Agent shall have received such other approvals, opinions and documents as any Lender, through the Administrative Agent, may reasonably request as to the legality, validity, binding effect or enforceability of the Loan Documents or the business, assets, property, financial condition, results of operations or prospects of CMS Energy and its Consolidated Subsidiaries.

SECTION 5.03. CONDITIONS PRECEDENT TO CERTAIN EXTENSIONS OF CREDIT. The obligation of each Lender to make an Extension of Credit (including the initial Extension of Credit) that would (after giving effect to all Extensions of Credit on such date and the application of proceeds thereof) increase the principal amount outstanding hereunder, shall be subject to the further conditions precedent that, on the date of such Extension of Credit and after giving effect thereto:

(a) the following statements shall be true (and each of the giving of the applicable notice or request with respect thereto and the making of such Extension of Credit

without prior correction by the Borrower shall (to the extent that such correction has been previously consented to by the Lenders) constitute a representation and warranty by the Borrower that, on the date of such Extension of Credit, such statements are true):

(i) the representations and warranties contained in subsections (e)(iii) and (f) of Section 6.01 of this Agreement are correct on and as of the date of such Extension of Credit, before and after giving effect to such Extension of Credit and to the application of the proceeds thereof, as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such Extension of Credit or the application of the proceeds thereof; and

(b) the Administrative Agent shall have received such other approvals, opinions and documents as any Lender, through the Administrative Agent, may reasonably request.

SECTION 5.04. RELIANCE ON CERTIFICATES. The Lenders and each Agent shall be entitled to rely conclusively upon the certificates delivered from time to time by officers of the Borrower as to the names, incumbency, authority and signatures of the respective persons named therein until such time as the Administrative Agent may receive a replacement certificate, in form acceptable to the Administrative Agent, from an officer of such Person identified to the Administrative Agent as having authority to deliver such certificate, setting forth the names and true signatures of the officers and other representatives of such Person thereafter authorized to act on behalf of such Person.

SECTION 5.05. CONDITION PRECEDENT TO THE INITIAL EXTENSION OF CREDIT. The obligation of each Lender to make its initial Extension of Credit is subject to the fulfillment of the following conditions precedent:

(a) The Borrower shall have paid all fees under or referenced in Section 2.02(b) and all expenses referenced in Section 10.04(a), in each case to the extent then due and payable.

(b) The Administrative Agent shall have received, on or before the day of the initial Extension of Credit, in form and substance satisfactory to it with sufficient copies for each Lender:

(i) A certificate, executed by the chief executive officer and the chief financial officer of the CMS Energy and Consumers, as applicable, in favor of the Agents and the Lenders with respect to the financial statements described in Section 6.01(e)(i) and (ii) certifying that such financial statements have been prepared in accordance with GAAP (except for changes resulting from any Restatement Event) and are true and correct as of the date of such certificate;

(ii) Copies of the financial statements of the CMS Energy and Consumers described in Section 6.01(e)(i) and (ii); and

(iii) Copies of the CMS Energy's Annual Report on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

SECTION 6.01. REPRESENTATIONS AND WARRANTIES OF THE BORROWER. The Borrower represents and warrants as follows:

(a) Each of CMS Energy, Consumers and each of the Restricted Subsidiaries is duly organized, validly existing and in good standing under the laws of the state of its organization and is duly qualified to do business in, and is in good standing in, all other jurisdictions where the nature of its business or the nature of property owned or used by it makes such qualification necessary.

(b) The execution, delivery and performance by each Loan Party of each Loan Document to which it is or will be a party (i) are within such Loan Party's powers, (ii) have been duly authorized by all necessary corporate or other organizational action or proceedings and (iii) do not and will not (A) require any consent or approval of the stockholders (or other applicable holder of equity) of such Loan Party (other than such consents and approvals which have been obtained and are in full force and effect), (B) violate any provision of the charter or by-laws (or other comparable constitutive documents) of such Loan Party or of law, (C) violate any legal restriction binding on or affecting such Loan Party, (D) result in a breach of, or constitute a default under, any indenture or loan or credit agreement or any other agreement, lease or instrument to which such Loan Party is a party or by which it or its properties may be bound or affected, or (E) result in or require the creation of any Lien (other than pursuant to the Loan Documents and pursuant to the "Loan Documents" as defined in the CMS Energy Credit Agreement) upon or with respect to any of its respective properties.

(c) No Governmental Approval is required, other than filings necessary to create or perfect security interests in the Collateral or as may be required under applicable energy, antitrust or securities laws in connection with the exercise of remedies with respect to certain Collateral.

(d) Each Loan Document executed on the Closing Date is, and each other Loan Document to which any Loan Party will be a party when executed and delivered hereunder will (i) where applicable, create valid and, upon filing of the financing statements delivered on the Closing Date and described in Section 5.01(c)(i), perfected Liens in the Collateral covered thereby securing the payment of all of the Loans purported to be secured thereby, which Liens (x) with respect to all Collateral subject to a Lien under the AIG Pledge Agreement shall be perfected Liens from and after the effective date of the Intercreditor Agreement (Enterprises Facility) and (y) with respect to all other Collateral shall be pari-passu with any Liens thereon in favor of the collateral agent under the CMS Energy Credit Agreement, and (ii) be, legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their respective terms; subject to the qualification, however, that the enforcement of the rights and remedies herein and therein is subject to bankruptcy and other similar laws of general

application affecting rights and remedies of creditors and the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

(e) (i) The consolidated balance sheets of CMS Energy and its Consolidated Subsidiaries as at December 31, 2001 and December 31, 2002, and the related consolidated statements of income, retained earnings and cash flows of CMS Energy and its Consolidated Subsidiaries for the fiscal years then ended, included in CMS Energy's Annual Report on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002, in each case as such financial statements are proposed to be restated in connection with the Restatement, copies of each of which have been furnished to each Lender, fairly present the financial condition of CMS Energy and its Consolidated Subsidiaries as at such dates and the results of operations of CMS Energy and its Consolidated Subsidiaries for the periods ended on such dates (it being understood that such financial statements do not give effect to any Restatement Event), all in accordance with generally accepted accounting principles consistently applied (except for changes resulting from any Restatement Event); (ii) the consolidated balance sheets of Consumers and its consolidated Subsidiaries as at December 31, 2001 and December 31, 2002, and the related consolidated statements of income, retained earnings and cash flows of Consumers and its consolidated Subsidiaries for the fiscal years then ended, included in CMS Energy's Annual Report on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002, in each case as such financial statements are proposed to be restated in connection with the Restatement, copies of each of which have been furnished to each Lender, fairly present the financial condition of Consumers and its consolidated Subsidiaries as at such dates and the results of operations of Consumers and its consolidated Subsidiaries for the periods ended on such dates (it being understood that such financial statements do not give effect to any Restatement Event), all in accordance with generally accepted accounting principles consistently applied (except for changes resulting from any Restatement Event); (iii) since December 31, 2002, except as disclosed in CMS Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, there has been no Material Adverse Change; and (iv) except as a result of any Restatement Event, no Loan Party has any material liabilities or obligations except as reflected in the foregoing financial statements and in Schedule I, as evidenced by the Loan Documents and as may be incurred, in accordance with the terms of this Agreement, in the ordinary course of business (as presently conducted) following the Closing Date.

(f) Except (i) as disclosed in CMS Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, and (ii) such other similar actions, suits and proceedings predicated on the occurrence of the same events giving rise to any actions, suits and proceedings described in the Annual Report filed with the Securities and Exchange Commission set forth in clause (i) above (all such matters in clauses (i) and (ii) being the "Disclosed Matters") and (iii) any Restatement Event, there are no pending or threatened actions, suits or proceedings against or, to the knowledge of CMS Energy, affecting CMS Energy or any of its Subsidiaries or the properties of CMS Energy or any of its Subsidiaries before any court, governmental agency or arbitrator, that would, if adversely determined, reasonably be expected to materially adversely affect the financial condition, properties, business or operations of CMS Energy and its Subsidiaries, considered as a whole, or affect the legality, validity or enforceability of this Agreement or any other Loan Document. There have been no adverse developments with respect to the Disclosed Matters that have had or could reasonably be expected to result in a Material Adverse Change.

(g) All insurance required by Section 7.01(b) is in full force and effect.

(h) No Plan Termination Event has occurred nor is reasonably expected to occur with respect to any Plan of CMS Energy or any of its ERISA Affiliates which would result in a material liability to CMS Energy, except as disclosed and consented to by the Required Lenders in writing from time to time. Except as disclosed in CMS Energy's Annual Report on Form 10-K for the period ended December 31, 2002, since the date of the most recent Schedule B (Actuarial Information) to the annual report of CMS Energy (Form 5500 Series), if any, there has been no material adverse change in the funding status of the Plans referred therein and no "prohibited transaction" has occurred with respect thereto which is reasonably expected to result in a material liability to CMS Energy. Neither CMS Energy nor any of its ERISA Affiliates has incurred nor reasonably expects to incur any material withdrawal liability under ERISA to any Multiemployer Plan, except as disclosed and consented to by the Required Lenders in writing from time to time.

(i) No fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (except for any such circumstance, if any, which is covered by insurance which coverage has been confirmed and not disputed by the relevant insurer) affecting the properties, business or operations of CMS Energy, Consumers or any Restricted Subsidiary has occurred that could reasonably be expected to have a material adverse effect on the business, assets, property, financial condition, results of operations or prospects of (A) CMS Energy and its Subsidiaries, considered as a whole, or (B) Consumers and its Subsidiaries, considered as a whole.

(j) CMS Energy and its Subsidiaries have filed all tax returns (Federal, state and local) required to be filed and paid all taxes shown thereon to be due, including interest and penalties, or, to the extent CMS Energy or any of its Subsidiaries is contesting in good faith an assertion of liability based on such returns, has provided adequate reserves for payment thereof in accordance with GAAP.

(k) No extraordinary judicial, regulatory or other legal constraints exist which limit or restrict Consumers' ability to declare or pay cash dividends with respect to its capital stock, other than pursuant to the Consumers Credit Facility.

(l) CMS Energy owns not less than 80% of the outstanding shares of common stock of the Borrower.

(m) CMS Energy owns not less than 80% of the outstanding shares of common stock of Consumers.

(n) The Consolidated 2002-2007 Projections of Consumers, CMS Energy and the Borrower (the "PROJECTIONS") are based upon assumptions that CMS Energy believed were reasonable at the time the Projections were delivered, and all other financial information delivered by the Borrower to the Administrative Agent and the Banks on and after March 30, 2003 is true and correct in all material respects as at the dates and for the periods indicated therein (it being understood that such Projections and financial information do not give effect to any Restatement Event).

(o) No Loan Party is engaged in the business of extending credit for the purpose of buying or carrying margin stock (within the meaning of Regulation U issued by the Board), and no proceeds of any Loan will be used to buy or carry any margin stock or to extend credit to others for the purpose of buying or carrying any margin stock.

(p) No Loan Party is an investment company (within the meaning of the Investment Company Act of 1940, as amended).

(q) No proceeds of any Extension of Credit will be used to acquire any security in any transaction without the approval of the board of directors of the Person issuing such security if (i) the acquisition of such security would cause CMS Energy to own, directly or indirectly, 5.0% or more of any outstanding class of securities issued by such Person, or (ii) such security is being acquired in connection with a tender offer.

(r) Following application of the proceeds of each Extension of Credit, not more than 25 percent of the value of the assets of the Borrower and its Subsidiaries on a consolidated basis will be margin stock (within the meaning of Regulation U issued by the Board).

(s) No Loan Party is a registered "holding company" or a "subsidiary" or an "affiliate" of a registered "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, 15 USC 79 et seq.

(t) The Borrower has not withheld any fact from the Administrative Agent or the Lenders in regard to the occurrence of any Material Adverse Change.

(u) After giving effect to the Loans to be made on the Initial Funding Date or such other date as Loans requested hereunder are made, and the disbursement of the proceeds of such Loans pursuant to the Borrower's instructions, CMS Energy and its Subsidiaries, taken as a whole, are Solvent.

(v) Schedule I sets forth as of February 28, 2003 (i) all Project Finance Debt of the Consolidated Subsidiaries, and (ii) debt (as such term is construed in accordance with GAAP) of the Loan Parties, and, as of the Closing Date, there are no defaults in the payment of principal or interest on any such Debt and no payments thereunder have been deferred or extended beyond their stated maturity (except as disclosed on such Schedule).

ARTICLE VII
COVENANTS OF THE BORROWER

SECTION 7.01. AFFIRMATIVE COVENANTS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid, or any Lender shall have any Commitment:

(a) Payment of Taxes, Etc. CMS Energy shall pay and discharge, and each of its Subsidiaries shall pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges, royalties or levies imposed upon it or upon its property except, in the case of taxes, to the extent CMS Energy or any Subsidiary, as the case may be, is

contesting the same in good faith and by appropriate proceedings and has set aside adequate reserves for the payment thereof in accordance with GAAP.

(b) Maintenance of Insurance. CMS Energy shall maintain, and each of its Restricted Subsidiaries and Consumers shall maintain, insurance covering CMS Energy, each of its Restricted Subsidiaries, Consumers and their respective properties in effect at all times in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general geographical area in which CMS Energy, its Restricted Subsidiaries and Consumers operates, either with reputable insurance companies or, in whole or in part, by establishing reserves of one or more insurance funds, either alone or with other corporations or associations.

(c) Preservation of Existence, Etc. Except as otherwise permitted by Section 7.02, CMS Energy shall preserve and maintain, and each of its Restricted Subsidiaries and Consumers shall preserve and maintain, its corporate or limited liability company existence, material rights (statutory and otherwise) and franchises, and take such other action as may be necessary or advisable to preserve and maintain its right to conduct its business in the states where it shall be conducting its business.

(d) Compliance with Laws, Etc. CMS Energy shall comply, and each of its Restricted Subsidiaries and Consumers shall comply, in all material respects with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, including any such laws, rules, regulations and orders relating to zoning, environmental protection, use and disposal of Hazardous Substances, land use, construction and building restrictions, and employee safety and health matters relating to business operations.

(e) Inspection Rights. Subject to the requirements of laws or regulations applicable to CMS Energy or its Subsidiaries, as the case may be, and in effect at the time, at any time and from time to time upon reasonable notice, CMS Energy shall permit (i) each Agent and its agents and representatives to examine and make copies of and abstracts from the records and books of account of, and the properties of, CMS Energy or any of its Subsidiaries and (ii) each Agent, each of the Lenders, and their respective agents and representatives to discuss the affairs, finances and accounts of CMS Energy and its Subsidiaries with CMS Energy and its Subsidiaries and their respective officers, directors and accountants. Each such visitation and inspection described in the preceding sentence by or on behalf of any Lender shall, unless occurring at a time when a Default or Event of Default shall be continuing, be at such Lender's expense; all other such inspections and visitations shall be at the Borrower's expense.

(f) Keeping of Books. From and after December 31, 2002, CMS Energy shall keep, and each of its Subsidiaries shall keep, proper records and books of account, in which full and correct entries shall be made of all financial transactions of CMS Energy and its Subsidiaries and the assets and business of CMS Energy and its Subsidiaries, in accordance with GAAP (except as related to the Restatement).

(g) Maintenance of Properties, Etc. CMS Energy shall maintain, and each of its Restricted Subsidiaries shall maintain, in substantial conformity with all laws and material contractual obligations, good and marketable title to all of its properties which are used or useful

in the conduct of its business; provided, however, that the foregoing shall not restrict the sale of any asset of CMS Energy or any Restricted Subsidiary to the extent not prohibited by Section 7.02(i). In addition, CMS Energy shall preserve, maintain, develop, and operate, and each of its Subsidiaries shall preserve, maintain, develop and operate, in substantial conformity with all laws and material contractual obligations, all of its material properties which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Use of Proceeds. The Borrower shall use all Extensions of Credit for general corporate purposes (subject to the terms and conditions of this Agreement).

(i) Consolidated Leverage Ratio. CMS Energy shall maintain, as of the last day of each fiscal quarter (in each case, the "MEASUREMENT QUARTER"), a maximum ratio of (i) Consolidated Debt for the immediately preceding four-fiscal-quarter period ending on the last day of such Measurement Quarter (calculated exclusive of Panhandle and its Subsidiaries), to (ii) Consolidated EBITDA for such period (calculated exclusive of Panhandle and its Subsidiaries), of not more than 7.00 to 1.00, commencing with the period ending June 30, 2003.

(j) Cash Dividend Coverage Ratio. CMS Energy shall maintain, as of the last day of each Measurement Quarter, a minimum ratio of (i) the sum of (A) Cash Dividend Income for the four-fiscal-quarter period ending on such day, plus (B) 25% of the amount of Equity Distributions received by CMS Energy during such period but in no event in excess of $10,000,000 to (ii) an amount equal to (A) interest expense (excluding all arrangement, underwriting and other similar fees payable in connection with this Agreement and the CMS Energy Credit Agreement) accrued by CMS Energy in respect of all Debt during such period, minus (B) cash interest income received by CMS Energy and its Subsidiaries from Persons other than CMS Energy or any of its Subsidiaries, minus (C) all amounts received by CMS Energy from its Subsidiaries and Affiliates during such period constituting reimbursement of interest expense and commitment, guaranty and letter of credit charges of CMS Energy to such Subsidiary or Affiliate, of not less than 1.20 to 1.00, commencing with the Measurement Quarter ending on June 30, 2003; provided, that CMS Energy shall be deemed not to be in breach of the foregoing covenant if, during the Measurement Quarter, it has permanently reduced the Commitments and the principal amount outstanding under this Agreement and the Promissory Notes and/or the principal amount outstanding under the CMS Energy Credit Agreement and the "Promissory Notes" thereunder (and as such term is defined therein), such that the amount determined pursuant to clause (ii) above, when recalculated on a pro forma basis assuming that the amount of such reduced commitments and principal amount outstanding under such agreements and promissory notes were in effect at all times during such four-fiscal-quarter period, would result in CMS Energy being in compliance with such ratio.

(k) Further Assurances. The Borrower shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that any Lender through the Administrative Agent may reasonably request in order to give effect to the transactions contemplated by this Agreement and the other Loan Documents. In addition, the Borrower will use all reasonable efforts to duly obtain or make Governmental Approvals required from time to time on or prior to such date as the same may become legally required.

(l) Subsidiary Guarantees. CMS Energy will (i) with respect to each Person that becomes a Restricted Subsidiary after the Closing Date (other than (a) any Subsidiary of CMS Energy organized under the laws of a jurisdiction located other than in the United States (each a "FOREIGN SUBSIDIARY") if the execution of the Guaranty by such Subsidiary would result in any materially adverse tax consequences to CMS Energy, (b) Panhandle and its Subsidiaries, and (c) MS&T), subject to any limitations under contractual restrictions as in effect as of the Closing Date or applicable law with respect to each Foreign Subsidiary, cause each such Restricted Subsidiary to execute the Guaranty pursuant to which it agrees to be bound by the terms and provisions of the Guaranty, and (ii) cause such Persons identified in clause (i) above to deliver resolutions, opinions of counsel and such other constitutive documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

(m) Compliance with Fee Letter. Each of the Borrower and CMS Energy shall comply with its obligations under the Fee Letter.

(n) Bond Cash Collateral Account. The Borrower shall at all times maintain the Bond Cash Collateral Account, and shall promptly execute and deliver all further instruments and documents, and take all further action, that the Administrative Agent may reasonably request such that the Collateral Agent shall have a first priority security interest therein and shall use the cash collateral therein solely to repay in full in cash all amounts owing in respect of CMS Energy's reset put securities due July 1, 2003 and CMS Energy's general term notes due in 2003 or to repay the Obligations hereunder in accordance with the terms of Section 2.03(c)(iv).

(o) Payment of Declared Dividend. CMS Energy shall cause each of its direct Subsidiaries to pay all dividends within 30 days after declaration thereof.

(p) Securities Demand. Unless (x) the "Loans" and "Commitments" under (and as defined in) the CMS Energy Credit Agreement and Loans and Commitments hereunder shall have been permanently reduced in an aggregate principal amount of $550,000,000 or more on or before January 2, 2004, or (y) CMS Energy's reset put securities due July 1, 2003 shall have been reissued or remarketed pursuant to the terms thereof or refinanced and a mandatory prepayment of the Obligations shall have occurred in accordance with the terms of Section 2.03(c)(iv), then, upon notice from the Administrative Agent (at the direction of the Required Lenders) (a "SECURITIES DEMAND"), to the extent permitted under each of CMS Energy's indentures (and each supplement issued thereunder), CMS Energy will cause the issuance and sale of debt and/or equity securities ("SECURITIES") the proceeds of which shall be used to repay the 6.75% Senior Notes on their maturity date upon such terms and conditions specified in the Securities Demand; provided that (i) the interest rate (whether floating or fixed) shall be determined by Administrative Agent in light of the then prevailing market conditions for comparable securities, (ii) the Administrative Agent in their reasonable discretion and after consultation with CMS Energy, shall determine whether the Securities shall be issued through a public offering or a private placement; (iii) the Securities will be issued pursuant to an indenture or indentures, which shall contain such terms, conditions, and covenants as are typical and customary for similar financings and are reasonably satisfactory in all respects to the Administrative Agent; and (iv) all other arrangements with respect to the Securities shall be

reasonably satisfactory in all respects to the Administrative Agent in light of the then prevailing market conditions.

SECTION 7.02. NEGATIVE COVENANTS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid or any Lender shall have any Commitment, CMS Energy shall not, without the written consent of the Required Lenders:

(a) Liens, Etc. (1) Create, incur, assume or suffer to exist, or permit any of the Loan Parties to create, incur, assume or suffer to exist, any lien, security interest, or other charge or encumbrance (including the lien or retained security title of a conditional vendor) of any kind, or any other type of arrangement intended or having the effect of conferring upon a creditor a preferential interest upon or with respect to any of its properties of any character (including capital stock and other ownership interests of CMS Energy's directly-owned Subsidiaries, intercompany obligations and accounts) (any of the foregoing being referred to herein as a "LIEN"), whether now owned or hereafter acquired, or (2) file, or permit any of the other Loan Parties to file, under the Uniform Commercial Code of any jurisdiction a financing statement which names CMS Energy or any other Loan Party as debtor (other than financing statements that do not evidence a Lien), or (3) sign, or permit any of the other Loan Parties to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or (4) assign, or permit any of the other Loan Parties to assign, accounts, excluding, however, from the operation of the foregoing restrictions the Liens created under the Loan Documents and the following:

(i) Liens for taxes, assessments or governmental charges or levies to the extent not past due;

(ii) cash pledges or deposits to secure (A) obligations under workmen's compensation laws or similar legislation, (B) public or statutory obligations of CMS Energy or any of the other Loan Parties, (C) Support Obligations of CMS Energy or any Loan Party, or (D) obligations of the Borrower or MS&T in respect of hedging arrangements and commodity purchases and sales (including any cash margins with respect thereto); provided that with respect to clauses (C) and (D) above the aggregate amount of cash pledges or deposits securing such Support Obligations and such obligations of the Borrower or MS&T shall not exceed $400,000,000 at any one time outstanding;

(iii) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's liens and other similar Liens arising in the ordinary course of business securing obligations which are not overdue or which have been fully bonded and are being contested in good faith;

(iv) Liens securing the obligations under the Loan Documents and under the "Loan Documents" as defined in the CMS Energy Credit Agreement (and subordinated Liens securing the refinancing of all or any portion of such obligations, which Liens shall be subordinated on terms and conditions acceptable to the Administrative Agent and the Collateral Agent);

(v) Liens securing Off-Balance Sheet Liabilities (and all refinancings and recharacterizations thereof permitted under Section 7.02(b)(iv)) in an aggregate amount not to exceed $775,000,000;

(vi) purchase money Liens or purchase money security interests upon or in property acquired or held by CMS Energy or any of the other Loan Parties in the ordinary course of business to secure the purchase price of such property or to secure indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such Liens or security interests, or Liens or security interests existing on any such property at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided that no such Lien or security interest shall extend to or cover any property other than the property being acquired and no such extension, renewal or replacement shall extend to or cover property not theretofore subject to the Lien or security interest being extended, renewed or replaced, and provided, further, that the aggregate principal amount of the Debt at any one time outstanding secured by Liens permitted by this clause (vi) shall not exceed $15,000,000;

(vii) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of CMS Energy or any other Loan Party;

(viii) Liens existing on any capital asset of any Person at the time such Person is merged or consolidated with or into, or otherwise acquired by, CMS Energy or any other Loan Party and not created in contemplation of such event, provided that such Liens do not encumber any other property or assets and such merger, consolidation or acquisition is otherwise permitted under this Agreement;

(ix) Liens existing on any capital asset prior to the acquisition thereof by CMS Energy or any other Loan Party and not created in contemplation thereof; provided that such Liens do not encumber any other property or assets;

(x) Liens existing as of the Closing Date;

(xi) Liens securing Project Finance Debt otherwise permitted under this Agreement;

(xii) Liens arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses (v), (viii), (ix), (x) or (xi); provided that (a) such Debt is not secured by any additional assets, and (b) the amount of such Debt secured by any such Lien is otherwise permitted under this Agreement;

(xiii) Liens on accounts receivable (other than intercompany receivables) and other contract rights of MS&T and its Subsidiaries arising on or after the Closing Date in favor of any Person (other than an Affiliate of CMS Energy or any of its Subsidiaries) that facilitates the origination of such accounts receivable or other contract rights;

(xiv) subordinated Liens granted pursuant to the terms of the AIG Pledge Agreement, which Liens shall be subordinated pursuant to the terms of the Intercreditor Agreement (CMS Energy Facility), to secure certain surety bond obligations as described in the AIG Pledge Agreement; and

(xv) subordinated Liens arising out of the refinancing, extension, renewal or refunding of the 6.75% Senior Notes, CMS Energy's reset put securities due July 1, 2003 and CMS Energy's general term notes due in 2003, which Liens shall be subordinated on terms and conditions acceptable to the Administrative Agent and the Collateral Agent.

(b) Borrower Debt. Permit the Borrower or any Subsidiary of the Borrower other than Panhandle and its Subsidiaries) to create, incur, assume or suffer to exist any debt (as such term is construed in accordance with GAAP) other than:

(i) debt arising by reason of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of the Borrower's or its Subsidiaries' business;

(ii) in the form of indemnities in respect of unfiled mechanics' liens and Liens affecting the Borrower's or its Subsidiaries' properties permitted under Section 7.02(a)(iii);

(iii) debt arising under (a) the Loan Documents and (b) the "Loan Documents" as defined in the CMS Energy Credit Agreement in a principal amount equal to $409,000,000 minus any principal payments (but with respect to principal payments of revolving loans prior to the "Conversion Date" thereunder, only to the extent of any concurrent reduction or termination of the "Commitments" as defined therein) made from time to time thereunder;

(iv) debt constituting Off-Balance Sheet Liabilities (including any recharacterization thereof as debt pursuant to any changes in generally accepted accounting principles hereafter required or permitted and which are adopted by CMS Energy or any of its Subsidiaries with the agreement of its independent certified public accountants) to the extent permitted by Section 7.02(o), and any extensions, renewals, refundings or replacements thereof, provided that any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount of, is an obligation of the same Person that is the obligor in respect of, and has a weighted average life to maturity not less than the weighted average life to maturity of, the debt so extended, renewed, refunded or replaced;

(v) other debt of the Borrower and its Subsidiaries outstanding on the Closing Date (including the debt of the Loan Parties as of February 28, 2003 as set forth on Schedule I), and any extensions, renewals, refundings or replacements thereof, provided that any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount of, is an obligation of the same Person that is the obligor in respect of, and has a weighted average life to maturity not less than the weighted average life to maturity of, the debt so extended, renewed, refunded or replaced;

(vi) (a) unsecured, subordinated debt owed (i) to CMS Energy by the Borrower, (ii) to the Borrower or CMS Capital, L.L.C. (or any successor by merger to CMS Capital, L.L.C.) and (iii) to any Grantor by any Loan Party, and (b) unsecured debt owed to any Subsidiary of the Borrower (other than a Grantor) by CMS Capital, L.L.C. (or any successor by merger to CMS Capital, L.L.C.), and (c) unsecured debt of any Foreign Subsidiary of the Borrower owed to another Foreign Subsidiary of the Borrower provided that the proceeds of any repayment of such debt are remitted to a Loan Party;

(vii) Project Finance Debt of any Loan Party or any of its Subsidiaries incurred on or after the Closing Date, provided that the Net Proceeds thereof shall be applied in accordance with Section 2.03(c) if required to be so applied; and

(viii) capital lease obligations and other Debt secured by purchase money Liens to the extent such Liens shall be permitted under Section 7.02(a)(vi).

(c) Lease Obligations. Create, incur, assume or suffer to exist, or permit any of the other Loan Parties to create, incur, assume or suffer to exist, any obligations as lessee for the rental or hire of real or personal property of any kind under leases or agreements to lease (other than leases which constitute Debt) having an original term of one year or more which would cause the aggregate direct or contingent liabilities of CMS Energy and the other Loan Parties in respect of all such obligations payable in any period of 12 consecutive calendar months to exceed $50,000,000.

(d) Investments in Other Persons. Make, or permit any of the other Loan Parties to make, any loan or advance to any Person, or purchase or otherwise acquire any capital stock, obligations or other securities of, make any capital contribution to, or otherwise invest in, any Person, other than (i) Permitted Investments, (ii) pursuant to the contractual or contingent obligations of CMS Energy or any other Loan Party as in effect as of the Closing Date and in amounts not to exceed the estimated amounts as set forth on Schedule I hereto (whether such obligation is conditioned upon a change in the ratings of the securities issued by such Person or otherwise) and, in each case, in an amount not to exceed such contractual or contingent obligation as in effect on the Closing Date, (iii) investments, directly or indirectly, by any Loan Party (x) in the capital of any Subsidiary of CMS Energy that is a Loan Party and (y) in assets contributed to such Loan Party, provided that if any such assets constitute Collateral prior to such contribution, such assets shall remain Collateral after giving effect to such contribution and prior to such contribution CMS Energy shall, and shall cause each applicable Subsidiary to, execute and deliver to the Administrative Agent all agreements, instruments and documents as may be necessary or reasonably requested by the Administrative Agent to perfect its security interest in such Collateral, (iv) investments in the capital stock or other ownership interests of any of CMS Energy's Subsidiaries arising from the conversion of intercompany indebtedness to equity, (v) intercompany loans and advances to the extent the corresponding debt is permitted under Section 7.02(b)(vi), (vi) investments constituting non-cash consideration received in connection with the sale of any asset permitted under Section 7.02(i), and (vii) additional loans, advances, purchases, contributions and other investments in an amount not to exceed $340,000,000 in the aggregate at any time; provided, however, that investments described in clauses (iv) (solely with respect to investments made in any Subsidiary that is not a Loan Party) and (vii) above shall not be permitted to be made at a time when either a Default or an Event of Default shall be continuing

or would result therefrom; provided, further, that, notwithstanding the foregoing, neither CMS Energy nor any Loan Party shall make any loans or advances to any of CMS Energy's Subsidiaries other than, to the extent otherwise permitted hereunder, Enterprises or any Subsidiary of Enterprises.

(e) Restricted Payments. Declare or pay, or permit any other Loan Party to declare or pay, directly or indirectly, any dividend, payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any share of any class of capital stock or other ownership interests of CMS Energy or any of the other Loan Parties (other than (1) stock splits and dividends payable solely in nonconvertible equity securities of CMS Energy and (2) dividends and distributions made to CMS Energy or a Loan Party), or purchase, redeem, retire, or otherwise acquire for value, or permit any of the other Loan Parties to purchase, redeem, retire, or otherwise acquire for value, any shares of any class of capital stock or other ownership interests of CMS Energy or any of the other Loan Parties or any warrants, rights, or options to acquire any such shares, now or hereafter outstanding, or make, or permit any of the other Loan Parties to make, any distribution of assets to any of its shareholders (other than distributions to CMS Energy or any other Loan Party) (any such dividend, payment, distribution, purchase, redemption, retirement or acquisition being hereinafter referred to as a "RESTRICTED PAYMENT") other than (i) pursuant to the terms of any class of capital stock of CMS Energy issued and outstanding (and as in effect on) the Closing Date, any purchase or redemption of capital stock of CMS Energy made by exchange for, or out of the proceeds of the substantially concurrent sale of, capital stock of CMS Energy (other than Redeemable Stock or Exchangeable Stock (as such terms are defined in the Indenture on the Closing Date)); and (ii) payments made by CMS Energy or any other Loan Party pursuant to the Tax Sharing Agreement.

(f) Compliance with ERISA. (i) Permit to exist any "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code of 1986, as amended), (ii) terminate, or permit any ERISA Affiliate to terminate, any Plan or withdraw from, or permit any ERISA Affiliate to withdraw from, any Multiemployer Plan, so as to result in any material (in the opinion of the Required Lenders) liability of CMS Energy, any other Loan Party or Consumers to such Plan, Multiemployer Plan or the PBGC, or (iii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, which presents a material (in the opinion of the Required Lenders) risk of such a termination by the PBGC of any Plan or withdrawal from any Multiemployer Plan so as to result in a material liability to CMS Energy, any other Loan Party or Consumers.

(g) Transactions with Affiliates. Enter into, or permit any of its Subsidiaries to enter into, any transaction with any of its Affiliates unless such transaction is on terms no less favorable to CMS Energy or such Subsidiary than if the transaction had been negotiated in good faith on an arm's-length basis with a non-Affiliate; provided that (x) the purchase by, or other transfer to, Trunkline Field Services Company of certain assets of CMS Field Services, Inc. as described to the Administrative Agent and the Lenders prior to the date hereof shall be permitted hereunder and (y) any transaction permitted under Sections 7.02(b), 7.02(e) or 7.02(h) shall be permitted hereunder.

(h) Mergers, Etc. Merge with or into or consolidate with or into, or permit any of the other Loan Parties or Consumers to merge with or into or consolidate with or into, any

other Person, except that (i) (x) any Loan Party may merge with or into any other Loan Party, (y) any Subsidiary of a Loan Party that is not a Loan Party may merge into such Loan Party or with or into any other Subsidiary of any Loan Party, provided that (a) in any such merger into a Loan Party under clause (y) above, the Loan Party is the survivor thereof, (b) no Default or Event of Default shall be continuing or result therefrom and (c) such Loan Party shall not be liable with respect to any Debt or allow its property to be subject to any Lien which it could not become liable with respect to or allow its property to become subject to under this Agreement or any other Loan Document on the date of such transaction, and (ii) any Loan Party may merge with or into any other Person, provided that (a) the Loan Party is the survivor thereof, or, in the case of any Loan Party that is a corporation reconstituting itself as limited liability company, such limited liability company shall be the survivor thereof and shall be thereafter deemed to be a Loan Party hereunder, (b) no Default or Event of Default shall be continuing or result therefrom, (c) such Loan Party shall not be liable with respect to any Debt or allow its property to be subject to any Lien which it could not become liable with respect to or allow its property to become subject to under this Agreement or any other Loan Document on the date of such transaction, and (d) immediately after giving effect to such merger, the Net Worth of such Loan Party shall be equal to or greater than the Net Worth of such Loan Party as of the last day of the fiscal quarter immediately preceding the date of such merger.

(i) Sales, Etc., of Assets. Sell, lease, transfer, assign, or otherwise dispose of all or any substantial part of its assets, or permit any of the other Loan Parties (other than MS&T) to sell, lease, transfer, or otherwise dispose of all or any substantial part of its assets, except to give effect to a transaction permitted by subsection (h) above or subsection (j) below; provided, further, that neither CMS Energy nor any of the other Loan Parties (other than MS&T) shall sell, assign, transfer, lease, convey or otherwise dispose of any property, whether now owned or hereafter acquired, or any income or profits therefrom, or enter into any agreement to do so, except:

(A) the sale of property for consideration not less than the Fair Market Value thereof so long as (i) any non-cash consideration resulting from such sale shall be pledged or assigned to the Collateral Agent, for the benefit of the Lenders, pursuant to an instrument in form and substance reasonably acceptable to the Collateral Agent, (ii) cash consideration resulting from such sale shall be (x) in an amount determined by the Borrower for any sale the consideration of which is $10,000,000 or less, or, together with all other such sales under this clause (x), $25,000,000 or less, (y) in the case of the sale of substantially all or any portion of the capital stock and assets of CMS Field Services, Inc. and its Subsidiaries, not less than 60% of the aggregate consideration resulting from such sale, (z) for all other sales, not less than 90% of the aggregate consideration resulting from such sale, and (iii) the Borrower complies with the mandatory prepayment provisions set forth in Section 2.03(c);

(B) the transfer of property from a Loan Party to any other Loan Party;

(C) the transfer of property constituting an investment otherwise permitted under Section 7.02(d);

(D) the sale of electricity and natural gas and other property in the ordinary course of Borrower's and its Subsidiaries respective businesses consistent with past practice;

(E) any transfer of an interest in receivables and related security, accounts or notes receivable on a limited recourse basis in connection with the incurrence of Off-Balance Sheet Liabilities, provided that such transfer qualifies as a legal sale and as a sale under GAAP and the incurrence of such Off-Balance Sheet Liabilities is permitted under Section 7.02(o);

(F) the transfer of property constituting not more than two percent (2%) of the ownership interests held by CMS Energy and its Subsidiaries as of the Closing Date in CMS International Ventures, L.L.C. to CMS Energy Foundation and/or Consumers Foundation and/or any other third-party 501(c)(3) charitable organization;

(G) the disposition of equipment if such equipment is obsolete or no longer useful in the ordinary course of CMS Energy's or such Subsidiary's business;

(H) the sale of substantially all of the capital stock and assets of Panhandle; provided that such sale shall be consummated substantially in accordance with, and on terms not materially more adverse to the interests of the Agents and the Lenders than the terms and conditions set forth in, that certain Stock Purchase Agreement, dated as of December 21, 2002, by and among CMS Gas Transmission Company, AIG Highstar Capital, L.P., AIG Highstar II Funding Corp., Southern Union Company and Southern Union Panhandle Corp.

(j) Maintenance of Ownership of Subsidiaries. Sell, transfer, assign or otherwise dispose of any shares of capital stock or other ownership interests of any of the Loan Parties or Consumers (other than preferred or preference stock of Consumers) or any warrants, rights or options to acquire such capital stock or other ownership interests, or permit any other Loan Party or Consumers to issue, sell, transfer, assign or otherwise dispose of any shares of its capital stock (other than preferred or preference stock of Consumers) or other ownership interests or the capital stock or other ownership interests of any other Loan Party or any warrants, rights or options to acquire such capital stock or other ownership interests, except (i) to give effect to a transaction permitted by subsection (d), (h) or (i) above, and (ii) in connection with the foreclosure of any Liens permitted under Section 7.02(a)(iv).

(k) Amendment of Tax Sharing Agreement. Directly or indirectly, amend, modify, supplement, waive compliance with, seek a waiver under, or assent to noncompliance with, any term, provision or condition of the Tax Sharing Agreement if the effect of such amendment, modification, supplement, waiver or assent is to (i) reduce materially any amounts otherwise payable to, or increase materially any amounts otherwise owing or payable by, CMS Energy thereunder, or (ii) change materially the timing of any payments made by or to CMS Energy thereunder.

(l) Prepayments of Indebtedness. Make or agree to pay or make, or permit any of the other Loan Parties to make or agree to pay or make, directly or indirectly, any

payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any Debt, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Debt (other than the obligations of the Loan Parties under the Loan Documents and under the "Loan Documents" as defined in the CMS Energy Credit Agreement), other than (i) any payments on account of (a) any Debt when and as such payment was due (including at the maturity thereof if the initial stated maturity thereof is on or prior to the Termination Date) pursuant to the mandatory payment provisions applicable to such Debt at the time it was incurred (including, without limitation, regularly scheduled payment dates for principal, interest, fees and other amounts due thereon) or any extension thereof thereafter granted by the holder of such Debt, (b) refinancings of Debt otherwise permitted under this Agreement, (c) any Debt owed to CMS Energy or any of its Subsidiaries, (d) Debt secured by a Lien on assets subject to an asset sale permitted by Section 7.02(i) and (e) the extinguishment of any intercompany Debt in connection with a dividend or distributions permitted under Section 7.02(e), (ii) payments constituting the exchange of CMS Energy's common stock for CMS Energy's outstanding Debt (and any cash payments made in lieu of the issuance of fractional shares) to the extent such exchange is permitted under the Securities and Exchange Act of 1933, as amended and (iii) prepayments of CMS Energy's reset put securities due July 1, 2003 and CMS Energy's general term notes due in 2003.

(m) Conduct of Business. Engage, or permit any Restricted Subsidiary to engage, in any business other than (a) the business engaged in by CMS Energy and its Subsidiaries on the date hereof, and (b) any business or activities which are substantially similar, related or incidental thereto.

(n) Organizational Documents. Amend, modify or otherwise change, or permit any Restricted Subsidiary to amend, modify or otherwise change any of the terms or provisions in any of their respective certificate of incorporation and by-laws (or comparable constitutive documents) as in effect on the Closing Date in any manner adverse to the interests of the Lenders.

(o) Off-Balance Sheet Liabilities. Create, incur, assume or suffer to exist, or permit any Subsidiary (other than Consumers and its Subsidiaries) to create, incur, assume or suffer to exist, Off-Balance Sheet Liabilities (exclusive of lease obligations otherwise permitted under Section 7.02(c)) in the aggregate in excess of $775,000,000 at any time.

(p) Intercreditor Agreement (Enterprises Facility). Use its best efforts to cause the parties to the AIG Pledge Agreement to execute and deliver the Intercreditor Agreement (Enterprises Facility), together with all further instruments and documents, and take all further action, that may be necessary or that any Lender through the Administrative Agent may reasonably request in order to give effect to such Intercreditor Agreement (Enterprises Facility).

SECTION 7.03. REPORTING OBLIGATIONS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid or any Lender shall have any Commitment, CMS Energy will, unless the Required Lenders shall otherwise consent in

writing, furnish to the Administrative Agent (with sufficient copies for each Lender), the following:

(a) as soon as possible and in any event within five days after the Borrower knows or should have reason to know of the occurrence of each Default or Event of Default continuing on the date of such statement, a statement of the chief financial officer or chief accounting officer of the Borrower setting forth details of such Default or Event of Default and the action that the Borrower proposes to take with respect thereto;

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of CMS Energy, commencing with the fiscal quarter ending on March 31, 2003, a consolidated balance sheet and consolidated statements of income and retained earnings and of cash flows of CMS Energy and its Subsidiaries as at the end of such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter (which requirement shall be deemed satisfied by the delivery of CMS Energy's quarterly report on Form 10-Q for such quarter), all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer or chief accounting officer of CMS Energy as having been prepared in accordance with GAAP, together with (A) a schedule (substantially in the form of Exhibit E appropriately completed) of (1) the computations used by CMS Energy in determining compliance with the covenants contained in Sections 7.01(i) and 7.01(j) and the ratio set forth in Section 8.01(j), (2) all Project Finance Debt of the Consolidated Subsidiaries, together with CMS Energy's Ownership Interest in each such Consolidated Subsidiary and (3) all Support Obligations of CMS Energy of the types described in clauses (iv) and (v) of the definition of Support Obligations (whether or not each such Support Obligation or the primary obligation so supported is fixed, conclusively determined or reasonably quantifiable) to the extent such Support Obligations have not been previously disclosed as "Consolidated Debt" pursuant to clause (1) above, and (B) a certificate of said officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that CMS Energy proposes to take with respect thereto;

(c) as soon as available and in any event within 120 days after the end of each fiscal year of CMS Energy and its Subsidiaries, commencing with the fiscal year ending on December 31, 2003, a copy of the Annual Report on Form 10-K (or any successor form) for CMS Energy and its Subsidiaries for such year, including therein a consolidated balance sheet of CMS Energy and its Subsidiaries as of the end of such fiscal year and consolidated statements of income and retained earnings and of cash flows of CMS Energy and its Subsidiaries for such fiscal year, accompanied by a report thereon of a nationally-recognized independent public accounting firm, together with (1) a schedule in form satisfactory to the Required Lenders of (A) the computations used by such accounting firm in determining, as of the end of such fiscal year, compliance with the covenants contained in Sections 7.01(i) and 7.01(j) and the ratio set forth in Section 8.01(j), (B) all Project Finance Debt of the Consolidated Subsidiaries, together with CMS Energy's Ownership Interest in each such Consolidated Subsidiary and (C) all Support Obligations of CMS Energy of the types described in clauses (iv) and (v) of the definition of Support Obligations (whether or not each such Support Obligation or the primary obligation so supported is fixed, conclusively determined or reasonably quantifiable) to the extent such Support Obligations have not been previously disclosed as "Consolidated Debt"

pursuant to clause (A) above, and (2) a certificate of the chief financial officer or chief accounting officer of CMS Energy stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that CMS Energy proposes to take with respect thereto;

(d) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of CMS Energy, commencing with the fiscal quarter ending on March 31, 2003, a balance sheet and statements of income and retained earnings and of cash flows of CMS Energy as at the end of such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer or chief accounting officer of CMS Energy as having been prepared in accordance with GAAP;

(e) as soon as available and in any event within 120 days after the end of each fiscal year of CMS Energy, commencing with the fiscal year ending on December 31, 2003, a balance sheet of CMS Energy as at the end of such fiscal year and statements of income and retained earnings and of cash flows of CMS Energy for such fiscal year, all in reasonable detail and duly certified (subject to year end audit adjustments) by the chief financial officer or chief accounting officer of CMS Energy as having been prepared in accordance with GAAP;

(f) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, commencing with the fiscal quarter ending on March 31, 2003, a balance sheet and statements of income and retained earnings and of cash flows of the Borrower as at the end of such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer or chief accounting officer of the Borrower as having been prepared in accordance with GAAP;

(g) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, commencing with the fiscal year ending on December 31, 2003, a balance sheet of the Borrower as at the end of such fiscal year and statements of income and retained earnings and of cash flows of the Borrower for such fiscal year, all in reasonable detail and duly certified (subject to year end audit adjustments) by the chief financial officer or chief accounting officer of the Borrower as having been prepared in accordance with GAAP;

(h) as soon as possible and in any event (A) within 30 days after CMS Energy knows or has reason to know that any Plan Termination Event described in clause (i) of the definition of Plan Termination Event with respect to any Plan of CMS Energy or any ERISA Affiliate of CMS Energy has occurred and could reasonably be expected to result in a material liability to CMS Energy and (B) within 10 days after CMS Energy knows or has reason to know that any other Plan Termination Event with respect to any Plan of CMS Energy or any ERISA Affiliate of CMS Energy has occurred and could reasonably be expected to result in a material liability to CMS Energy, a statement of the chief financial officer or chief accounting officer of CMS Energy describing such Plan Termination Event and the action, if any, which CMS Energy proposes to take with respect thereto;

(i) except as may arise in connection with the sale of Panhandle, promptly after receipt thereof by CMS Energy or any of its ERISA Affiliates from the PBGC copies of each notice received by CMS Energy or any such ERISA Affiliate of the PBGC's intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(j) except as may arise in connection with the sale of Panhandle, promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan (if any) to which CMS Energy is a contributing employer;

(k) promptly after receipt thereof by CMS Energy or any of its ERISA Affiliates from a Multiemployer Plan sponsor, a copy of each notice received by CMS Energy or any of its ERISA Affiliates concerning the imposition or amount of withdrawal liability in an aggregate principal amount of at least $250,000 pursuant to Section 4202 of ERISA in respect of which CMS Energy is reasonably expected to be liable;

(l) promptly after CMS Energy becomes aware of the occurrence thereof, notice of all actions, suits, proceedings or other events of the type described in Section 6.01(f);

(m) promptly after the sending or filing thereof, notice to the Administrative Agent and each Lender of any sending or filing of all proxy statements, financial statements and reports which CMS Energy sends to its public security holders (if any), all regular, periodic and special reports which CMS Energy files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange, pursuant to the Exchange Act, and all final prospectuses with respect to any securities issued or to be issued by CMS Energy or any of its Subsidiaries;

(n) as soon as possible and in any event within five days after the occurrence of any material default under any material agreement to which CMS Energy or any of its Subsidiaries is a party, which default would materially adversely affect the business, assets, property, financial condition, results of operations or prospects of CMS Energy and its Subsidiaries, considered as a whole, any of which is continuing on the date of such certificate, a certificate of the chief financial officer of CMS Energy setting forth the details of such material default and the action which CMS Energy or any such Subsidiary proposes to take with respect thereto; and

(o) promptly after requested, such other information respecting the business, properties, condition or operations, financial or otherwise, of CMS Energy and its Subsidiaries as any Agent or the Required Lenders may from time to time reasonably request in writing.

The Borrower and CMS Energy, as applicable, shall be deemed to have fulfilled its obligations pursuant to clauses (b), (c), (d), (e), (f), (g) and (m) above to the extent the Administrative Agent (and the Lenders, if applicable) receives an electronic copy of the requisite document or documents in a format reasonably acceptable to the Administrative Agent, provided that (1) an executed, tangible copy of any report required pursuant to clause (e) above is delivered to the Administrative Agent at the time of any such electronic delivery, and (2) a tangible copy of each

requisite document delivered electronically is made available by the Borrower or CMS Energy, as applicable, promptly upon request by any Agent or Lender.

ARTICLE VIII
DEFAULTS

SECTION 8.01. EVENTS OF DEFAULT. If any of the following events (each an "EVENT OF DEFAULT") shall occur and be continuing, the Administrative Agent and the Lenders shall be entitled to exercise the remedies set forth in Section 8.02:

(a) The Borrower shall fail to pay (i) any principal of any Loan when due or (ii) any interest thereon, fees or other amounts (other than any principal of any Loan) payable hereunder within two Business Days after such interest, fees or other amounts shall have become due; or

(b) Any representation or warranty made by or on behalf of the Borrower in any Loan Document or certificate or other writing delivered pursuant thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(c) CMS Energy or any of its Subsidiaries shall fail to perform or observe any term or covenant on its part to be performed or observed contained in Section 7.01(c), (h), (i), (j), (l), (o) or (p) or in Section 7.02 hereof (and CMS Energy, the Borrower, each Lender and each Agent hereby agrees that an Event of Default under this subsection (c) shall be given effect as if the defaulting Subsidiary were a party to this Agreement); or

(d) CMS Energy or any of its Subsidiaries shall fail to perform or observe any other term or covenant on its part to be performed or observed contained in any Loan Document and any such failure shall remain unremedied, after written notice thereof shall have been given to the Borrower by the Administrative Agent, for a period of 10 Business Days (and CMS Energy, the Borrower, each Lender and each Agent hereby agrees that an Event of Default under this subsection (d) shall be given effect as if the defaulting Subsidiary were a party to this Agreement); or

(e) CMS Energy, any Restricted Subsidiary or Consumers shall fail to pay any of its Debt (including any interest or premium thereon but excluding Debt incurred under this Agreement) (i) under the CMS Energy Credit Agreement, or (ii) otherwise aggregating, in the case of CMS Energy and each Restricted Subsidiary, $6,000,000 or more or, in the case of Consumers, $25,000,000 or more, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to such Debt; or any other default under any agreement or instrument relating to any such Debt (including any "amortization event" or event of like import in connection with any Off-Balance Sheet Liabilities), or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is (i) to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof; unless in each such case the obligee

under or holder of such Debt shall have waived in writing such circumstance so that such circumstance is no longer continuing, or (ii) with respect to any such event occurring in connection with any Off-Balance Sheet Liabilities aggregating $6,000,000 or more, to terminate the reinvestment of collections or proceeds of receivables and related security under any agreements or instruments related thereto (other than a termination resulting solely from the request of CMS Energy or its Subsidiaries); or

(f) (i) CMS Energy, any Restricted Subsidiary or Consumers shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make an assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against CMS Energy, any Restricted Subsidiary or Consumers seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of a proceeding instituted against CMS Energy, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including the entry of an order for relief against CMS Energy, a Restricted Subsidiary or Consumers or the appointment of a receiver, trustee, custodian or other similar official for CMS Energy, such Restricted Subsidiary or Consumers or any of its property) shall occur; or (iii) CMS Energy, any Restricted Subsidiary or Consumers shall take any corporate or other action to authorize any of the actions set forth above in this subsection (f); or

(g) Any judgment or order for the payment of money in excess of $6,000,000 shall be rendered against the Borrower, any Guarantor or any of their respective properties and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) Any material provision of any Loan Document, after execution hereof or delivery thereof under Article V, shall for any reason other than the express terms hereof or thereof cease to be valid and binding on any party thereto; or any Loan Party shall so assert in writing; or any Guarantor shall terminate or revoke any of its obligations under the applicable Guaranty; or

(i) Any "Event of Default" shall occur under and as defined in the AIG Pledge Agreement as in effect on January 8, 2003 (and without giving effect to any amendment or other modification thereto); or

(j) There shall be imposed or enacted any Consumers Dividend Restriction, the result of which is that the Dividend Coverage Ratio shall be less than 1.15 to 1.0 at any time after the imposition of such Consumers Dividend Restriction; or

(k) At any time, for any reason (except to the extent permitted by the terms of the Loan Documents or due to any failure by the Collateral Agent to take any action on its part to

be performed under applicable law in order to maintain the perfection or priority of any such Liens), (i) the Liens intended to be created under any of the Loan Documents with respect to Collateral having a Fair Market Value of $6,000,000 or more become, or the Borrower or any such Subsidiary seeks to render such Liens, invalid or unperfected, or (ii) Liens in favor of the Collateral Agent for the benefit of the Lenders contemplated by the Loan Documents with respect to Collateral having a Fair Market Value of $6,000,000 or more shall, at any time, for any reason, be invalidated or otherwise cease to be in full force and effect, or such Liens shall not have the priority contemplated by this Agreement or the Loan Documents.

SECTION 8.02. REMEDIES. If any Event of Default has occurred and is continuing, then the Administrative Agent or the Collateral Agent, as applicable, shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower (i) declare the Commitments and the obligation of each Lender to make or Convert Loans to be terminated, whereupon the same shall forthwith terminate, (ii) declare the principal amount outstanding hereunder, all interest thereon and all other amounts payable under this Agreement and the other Loan Documents to be forthwith due and payable, whereupon the principal amount outstanding hereunder, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, and (iii) exercise in respect of any and all collateral, in addition to the other rights and remedies provided for herein or otherwise available to the Administrative Agent, the Collateral Agent or the Lenders (including the delivery of instructions and entitlement orders in respect of the Bond Cash Collateral Account, provided that the Collateral Agent hereby agrees that it shall not issue such instructions or entitlement orders concerning the assets held in the Bond Cash Collateral Account unless an Event of Default shall have occurred and is continuing), all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in the State of New York and in effect in any other jurisdiction in which collateral is located at that time; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower or any Guarantor under the Federal Bankruptcy Code, (A) the Commitments and the obligation of each Lender to make or Convert Loans shall automatically be terminated and (B) the principal amount outstanding hereunder, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE IX
THE AGENTS

SECTION 9.01. AUTHORIZATION AND ACTION.

(a) Each of the Lenders hereby irrevocably appoints each Agent as its agent and authorizes each such Agent to take such actions on its behalf and to exercise such powers as are delegated to such Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

(b) Any Lender serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and such Lender and its Affiliates may accept deposits from, lend money to

and generally engage in any kind of business with CMS Energy or any of its Subsidiaries or other Affiliate thereof as if it were not an Agent hereunder.

(c) No Agent shall have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (i) no Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default or an Event of Default has occurred and is continuing, (ii) no Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.01), and (iii) except as expressly set forth in the Loan Documents, no Agent shall have any duty to disclose, or shall be liable for the failure to disclose, any information relating to CMS Energy or any of its Subsidiaries or Affiliates that is communicated to or obtained by the Lender serving as such Agent or any of its Affiliates in any capacity. No Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.01 or any other provision of this Agreement) or in the absence of its own gross negligence or willful misconduct. Each Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until written notice thereof is given to such Agent by the Borrower or a Lender (in which case such Agent shall promptly give a copy of such written notice to the Lenders and the other Agents). No Agent shall be responsible for or have any duty to ascertain or inquire into (A) any statement, warranty or representation made in or in connection with any Loan Document, (B) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (C) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (D) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (E) the satisfaction of any condition set forth in Article V or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent.

(d) Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Each Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) Each Agent may perform any and all its duties and exercise its rights and powers by or through one or more sub-agents appointed by such Agent. Each Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding subsections of this Section 9.01 shall apply to any such sub-agent and to the Related Parties of each Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as an Agent.

(f) Subject to the appointment and acceptance of a successor Agent as provided in this subsection (f), any Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a Lender with an office in New York, New York, or an Affiliate of any such Lender. Upon the acceptance of its appointment as an Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After an Agent's resignation hereunder, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as an Agent.

(g) Each Lender acknowledges that it has independently and without reliance upon any Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder. Each Lender agrees (except as provided in Section 10.05) that it will not take any legal action, nor institute any actions or proceedings, against the Borrower or any other obligor hereunder or with respect to any Collateral, without the prior written consent of the Required Lenders. Without limiting the generality of the foregoing, no Lender may accelerate or otherwise enforce its portion of the Loans, or unilaterally terminate its Commitment except in accordance with Section 8.02.

SECTION 9.02. INDEMNIFICATION. The Lenders agree to indemnify each Agent (to the extent not reimbursed by the Borrower), ratably according to the respective Percentages of the Lenders, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against such Agent in any way relating to or arising out of this Agreement or any action taken or omitted by such Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agents and the Arranger promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agents in connection with the preparation, syndication, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Agents are entitled to reimbursement for such expenses pursuant to Section 10.04 but are not reimbursed for such expenses by the Borrower.

SECTION 9.03. CONCERNING THE COLLATERAL AND THE LOAN DOCUMENTS.

(a) Each Lender authorizes and directs the Collateral Agent to enter into the Loan Documents relating to the Collateral for the benefit of the Lenders. Each Lender agrees that any action taken by any Agent or the Required Lenders (or, where required by the express terms of this Agreement, a greater proportion of the Lenders) in accordance with the provisions of this Agreement or the other Loan Documents, and the exercise by any Agent or the Required Lenders (or, where so required, such greater proportion) of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. Without limiting the generality of the foregoing, the Collateral Agent shall have the sole and exclusive right and authority to (i) act as the disbursing and collecting agent for the Lenders with respect to all payments and collections arising in connection with this Agreement and the Loan Documents relating to the Collateral; (ii) execute and deliver each Loan Document relating to the Collateral and accept delivery of each such agreement delivered by the Borrower or any other Loan Party a party thereto; (iii) act as collateral agent for the Lenders for purposes of the perfection of all Liens created by such agreements and all other purposes stated therein; provided, however, the Collateral Agent hereby appoints, authorizes and directs the other Agents and the Lenders to act as collateral sub-agent for the Collateral Agent and the Lenders for purposes of the perfection of all Liens with respect to any property of the Borrower or any of its Subsidiaries at any time in the possession of such Lender, including, without limitation, deposit accounts maintained with, and cash held by, such Lender; (iv) manage, supervise and otherwise deal with the Collateral; (v) take such action as is necessary or desirable to maintain the perfection and priority of the Liens created or purported to be created by the Loan Documents; and (vi) except as may be otherwise specifically restricted by the terms of this Agreement or any other Loan Document, exercise all remedies given to the Collateral Agent or the Lenders with respect to the Collateral under the Loan Documents relating thereto, applicable law or otherwise.

(b) The Administrative Agent and each Lender hereby directs, in accordance with the terms of this Agreement, the Collateral Agent to release any Lien held by the Collateral Agent for the benefit of the Lenders:

(i) against all of the Collateral, upon payment in full of the Obligations of all of the Loan Parties under the Loan Documents and termination of this Agreement;

(ii) against any part of the Collateral sold or disposed of by the Borrower or any of its Subsidiaries, if such sale or disposition is otherwise permitted under this Agreement, as certified to the Collateral Agent by the Borrower, or is otherwise consented to by the Required Lenders;

(iii) against any part of the Collateral consisting of a promissory note, upon payment in full of the Debt evidenced thereby; and/or

(iv) against any of the Collateral and any Grantor upon the occurrence of any event described in Section 8.10 of the Pledge Agreements.

The Administrative Agent and each Lender hereby directs the Collateral Agent to execute and deliver or file such termination and partial release statements and do such other things as are necessary to release Liens to be released pursuant to this Section 9.03(b) promptly upon the effectiveness of any such release.

SECTION 9.04. RELEASE OF GUARANTORS. Upon (x) the liquidation or dissolution of any Guarantor, or sale of all of the capital stock or other ownership interests of any Guarantor, in each case which is permitted pursuant to the terms of any Loan Document or consented to in writing by the Required Lenders or all of the Lenders, as applicable, and upon at least five (5) Business Days' prior written request by the Borrower or (y) the occurrence of any event described in Section 11 of the Guaranty, the Collateral Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the applicable Guarantor from its obligations under the Guaranty; provided, however, that (i) the Collateral Agent shall not be required to execute any such document on terms which, in the Collateral Agent's opinion, would expose the Collateral Agent to liability or create any obligation or entail any consequence other than the release of such Guarantor without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Loans, any other Guarantor's obligations under the Guaranty, or, if applicable, any obligations of CMS Energy or any Subsidiary in respect of the proceeds of any such sale retained by CMS Energy or any Subsidiary.

ARTICLE X
MISCELLANEOUS

SECTION 10.01. AMENDMENTS, ETC. No amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (i) waive, modify or eliminate any of the conditions specified in Article V, (ii) increase the Commitments of the Lenders that may be maintained hereunder, (iii) reduce the principal of, or interest on, any Loan, any Applicable Margin, any Commitment Fee Margin or any fees or other amounts payable hereunder (other than fees payable to the Administrative Agent pursuant to Section 2.02(b)), (iv) postpone any date fixed for any payment of principal of, or interest on, any Loan or any fees or other amounts payable hereunder (other than fees payable to the Administrative Agent pursuant to Section 2.02(b)) (except with respect to any modifications of the provisions relating to amounts, timing or application of prepayments of Loans and other Obligations which modification shall require only the approval of the Required Lenders), (v) change the definition of "Required Lenders" contained in Section 1.01 or change any other provision that specifies the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans or the number of Lenders which shall be required for the Lenders or any of them to take any action hereunder, (vi) (vi) amend, waive or modify Section 2.03(b) or this Section 10.01, (vii) release the Collateral Agent's Lien on all of the Collateral or any portion of the Collateral in excess of $50,000,000 (except as provided in Section 9.03(b)), or (viii) extend the Commitment Termination Date or the Termination Date; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by each Agent in addition to the Lenders required above to take such action,

affect the rights or duties of any Agent under this Agreement or any other Loan Document. Any request from the Borrower for any amendment, waiver or consent under this Section 10.01 shall be addressed to the Administrative Agent.

SECTION 10.02. NOTICES, ETC. All notices and other communications provided for hereunder and under the other Loan Documents shall be in writing (including telegraphic, facsimile, telex or cable communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered, (i) if to the Borrower or CMS Energy, at its address at c/o CMS Energy Corporation, Fairlane Plaza South, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126, Attention: S. Kinnie Smith, Jr., General Counsel, with a copy to Laura L. Mountcastle, Vice President, Investor Relations and Treasurer, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126; (ii) if to any Bank, at the address set forth on its signature page hereto; (iii) if to any Lender other than a Bank, at its Applicable Lending Office specified in the Lender Assignment pursuant to which it became a Lender; (iv) if to the Administrative Agent with respect to funding or payment of any amounts hereunder, at its address at 2 Penns Way, Suite 200, New Castle, DE 19270, Attn: Dawn Conover, Telephone No. (302) 894-6063, Telecopy No. (302) 894-6120; (v) if to the Administrative Agent for any other reason or to the Collateral Agent, at its address at 388 Greenwich Street, New York, New York 10003, Attn: Nick McKee, Telephone No. (212) 816-8592, Telecopy No. (212) 816-8098; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telegraphed, telecopied, telexed or cabled, be effective five days after when deposited in the mails, or when delivered to the telegraph company, telecopied, confirmed by telex answerback or delivered to the cable company, respectively, except that notices and communications to any Agent pursuant to Article II, III, or IX shall not be effective until received by such Agent.

SECTION 10.03. NO WAIVER OF REMEDIES. No failure on the part of the Borrower, any Lender or any Agent to exercise, and no delay in exercising, any right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.04. COSTS, EXPENSES AND INDEMNIFICATION.

(a) The Borrower agrees to (i) reimburse on demand all reasonable costs and expenses of each Agent and the Arranger (including reasonable fees and expenses of counsel to the Agents) in connection with (A) the preparation, syndication, negotiation, execution and delivery of the Loan Documents and (B) the care and custody of any and all collateral, and any proposed modification, amendment, or consent relating to any Loan Document, and (ii) to pay on demand all reasonable costs and expenses of each Agent and, on and after the date upon which the principal amount outstanding hereunder becomes or is declared to be due and payable pursuant to Section 8.02 or an Event of Default specified in Section 8.01(a) shall have occurred and be continuing, each Lender (including fees and expenses of counsel to the Agents, special Michigan counsel to the Lenders and, from and after such date, counsel for each Lender (including the allocated costs and expenses of in-house counsel)) in connection with the workout,

restructuring or enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Loan Documents and the other documents to be delivered hereunder.

(b) The Borrower shall indemnify each Agent, the Arranger, each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNIFIED PERSON") against, and hold each Indemnified Person harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnified Person, incurred by or asserted against any Indemnified Person arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby or thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or other Extension of Credit or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of any Hazardous Substance on or from any property owned or operated by CMS Energy or any of its Subsidiaries, or any Environmental Liability related in any way to CMS Energy or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnified Person is a party thereto; provided that such indemnity shall not, as to any Indemnified Person, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnified Person.

(c) The Borrower's other obligations under this Section 10.04 shall survive the repayment of all amounts owing to the Lenders and the Agents under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Borrower under this Section 10.04 are unenforceable for any reason, the Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION 10.05. RIGHT OF SET-OFF.

(a) Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 8.02 to authorize the Administrative Agent to declare the principal amount outstanding hereunder to be due and payable pursuant to the provisions of Section 8.02, 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 Borrower, against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Promissory Notes held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or such Promissory Notes, as the case may be, and although such obligations may be unmatured. Each Lender agrees to notify promptly the Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 10.05 are in addition to other rights and remedies (including other rights of set-off) which such Lender may have.

(b) The Borrower agrees that it shall have no right of off-set, deduction or counterclaim in respect of its obligations hereunder, and that the obligations of the Lenders hereunder are several and not joint. Nothing contained herein shall constitute a relinquishment or waiver of the Borrower's rights to any independent claim that the Borrower may have against any Agent or any Lender for such Agent's or such Lender's, as the case may be, gross negligence or willful misconduct, but no Lender shall be liable for any such conduct on the part of any Agent or any other Lender, and no Agent shall be liable for any such conduct on the part of any Lender.

SECTION 10.06. BINDING EFFECT. This Agreement shall become effective when it shall have been executed by the Borrower and the Agents and when the Administrative Agent shall have been notified by each Bank that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agents and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 10.07. ASSIGNMENTS AND PARTICIPATION.

(a) Any Lender may sell participations in all or a portion of its rights and obligations under this Agreement pursuant to subsection (b) below and any Lender may assign all or any part of its rights and obligations under this Agreement pursuant to subsection (c) below.

(b) Any Lender may sell participations to one or more banks or other entities (each a "PARTICIPANT") in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and its outstanding Loan), provided that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of the Loans of such Lender for all purposes of this Agreement and (iv) the Borrower shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 10.01 or of any other Loan Document. The Borrower agrees that each Participant shall be deemed to have the right of set-off provided in Section 10.05 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of set-off provided in Section 10.05 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of set-off provided in Section 10.05, agrees to share with each Lender, any amount received pursuant to the exercise of its right of set-off, such amounts to be shared in accordance with Section 10.05 as if each Participant were a Lender. The Borrower further agrees that each Participant shall be entitled to the benefits of Sections 4.04 and 4.06 to the same extent as if it were a Lender and had acquired its interest by

assignment pursuant to Section 10.07(c); provided that (i) a Participant shall not be entitled to receive any greater payment under Section 4.04 or 4.06 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 4.06 to the same extent as if it were a Lender.

(c) Any Lender may, in the ordinary course of its business and in accordance with applicable law, with the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed), at any time assign to one or more financial institutions all or any part of its rights and obligations under this Agreement, provided that the minimum principal amount of any such assignment (other than assignments to a Federal Reserve Bank, or to any other Lender or affiliate or Approved Fund of a Lender, or to any direct or indirect contractual counterparties in swap agreements relating to the Loans to the extent required in connection with the physical settlement of any Lender's obligations pursuant thereto) shall be $1,000,000 (or such lesser amount consented to by the Administrative Agent); provided that, unless such Lender is assigning all of its rights and obligations hereunder, after giving effect to such assignment the assigning Lender shall have Loans in the aggregate of not less than $1,000,000 (unless otherwise consented to by the Administrative Agent).

(d) Any Lender may, in connection with any sale or participation or proposed sale or participation pursuant to this Section 10.07 disclose to the purchaser or Participant or proposed purchaser or Participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower, provided that prior to any such disclosure of non-public information, the purchaser or Participant or proposed purchaser or Participant (which Participant is not an affiliate of a Lender) shall agree to preserve the confidentiality of any confidential information (except any such disclosure as may be required by law or regulatory process) relating to the Borrower received by it from such Lender.

(e) Assignments under this Section 10.07 shall be made pursuant to an agreement (a "LENDER ASSIGNMENT") substantially in the form of Exhibit F hereto or in such other form as may be agreed to by the parties thereto and shall not be effective until a $3,500 fee has been paid to the Administrative Agent by the assignee, which fee shall cover the cost of processing such assignment, provided, that such fee shall not be incurred in the event of an assignment by any Lender of all or a portion of its rights under this Agreement to (i) a Federal Reserve Bank or (ii) a Lender or an affiliate or Approved Fund of the assigning Lender or (iii) to any direct or indirect contractual counterparties in swap agreements relating to the Loans to the extent required in connection with the physical settlement of any Lender's obligations pursuant thereto.

(f) Notwithstanding anything to the contrary contained herein, any Lender (a "GRANTING LENDER") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender is obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan, (ii) if an SPC elects

not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall remain obligated to make such Loan pursuant to the terms hereof, (iii) the Borrower shall not be required to pay any amount under Section 4.06 that is greater than the amount which it would have been required to pay had there been no grant to an SPC and (iv) any SPC (or assignee of an SPC) will comply, if applicable, with the provisions contained in Section 4.06. No grant by any Granting Lender to an SPC agreeing to provide a Loan or the making of such Loan by such SPC shall operate to relieve such Granting Lender of its liabilities and obligations hereunder, except to the extent of the making of such Loan by such SPC. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In addition, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by the Administrative Agent in its sole discretion) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 10.07(f) may not be amended without the written consent of any SPC that holds an option to provide Loans. No recourse under any obligation, covenant, or agreement of the SPC contained in this Agreement shall be had against any shareholder, officer, agent or director of the SPC as such, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is a corporate obligation of the SPC and no personal liability shall attach to or be incurred by any officer, agent or member of the SPC as such, or any of them under or by reason of any of the obligations, covenants or agreements of the SPC contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by the SPC of any such obligations, covenants or agreements, either at law or by statute or constitution, of every such shareholder, officer, agent or director is hereby expressly waived by all parties to this Agreement as a condition of and consideration for the SPC entering into this Agreement; provided, however, that the foregoing shall not relieve any such person or entity of any liability they might otherwise have as a result of fraudulent actions or omissions taken by them. All parties to this Agreement acknowledge and agree that the SPC shall only be liable for any claims that each of them may have against the SPC only to the extent of the SPC's assets. The provisions of this clause shall survive the termination of this Agreement.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) The Administrative Agent shall maintain at its address referred to in Section 10.02 a copy of each Lender Assignment delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and

principal amount of the Loans owing to, each Lender from time to time (the "REGISTER"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agents and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

SECTION 10.08. CONFIDENTIALITY. In connection with the negotiation and administration of this Agreement and the other Loan Documents, the Borrower has furnished and will from time to time furnish to the Agents and the Lenders (each, a "RECIPIENT") written information which is identified to the Recipient when delivered as confidential (such information, other than any such information which (i) was publicly available, or otherwise known to the Recipient, at the time of disclosure, (ii) subsequently becomes publicly available other than through any act or omission by the Recipient or (iii) otherwise subsequently becomes known to the Recipient other than through a Person whom the Recipient knows to be acting in violation of his or its obligations to the Borrower, being hereinafter referred to as "CONFIDENTIAL INFORMATION"). The Recipient will not knowingly disclose any such Confidential Information to any third party (other than to those persons who have a confidential relationship with the Recipient), and will take all reasonable steps to restrict access to such information in a manner designed to maintain the confidential nature of such information, in each case until such time as the same ceases to be Confidential Information or as the Borrower may otherwise instruct. It is understood, however, that the foregoing will not restrict the Recipient's ability to freely exchange such Confidential Information with its Affiliates or with prospective Participants in or assignees of the Recipient's position herein, but the Recipient's ability to so exchange Confidential Information shall be conditioned upon any such Affiliate's or prospective Participant's (as the case may be) entering into an agreement as to confidentiality similar to this Section 10.08. It is further understood that the foregoing will not prohibit the disclosure of any or all Confidential Information if and to the extent that such disclosure may be required (1) by a regulatory agency or otherwise in connection with an examination of the Recipient's records by appropriate authorities, (2) pursuant to court order, subpoena or other legal process or in connection with any proceeding, suit or other action relating to any Loan Document or (3) otherwise, as required by law; in the event of any required disclosure under clause (2) or (3), above, the Recipient agrees to use reasonable efforts to inform the Borrower as promptly as practicable to the extent not prohibited by law. Notwithstanding any other provision of this Agreement, each party (and each Participant pursuant to Section 10.07) (and each employee, representative or other agent of such party (or Participant)) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions contemplated by the Loan Documents and all materials of any kind (including opinions or other tax analyses) that are provided to such party relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

SECTION 10.09. Waiver of Jury Trial. THE BORROWER, CMS ENERGY, THE AGENTS AND THE LENDERS EACH HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

SECTION 10.10. GOVERNING LAW; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE PROMISSORY NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAWS OF THE STATE OF NEW YORK, BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES). THE BORROWER, CMS ENERGY, THE LENDERS AND THE AGENTS, EACH (I) IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT SITTING IN NEW YORK CITY IN ANY ACTION ARISING OUT OF ANY LOAN DOCUMENT, (II) AGREES THAT ALL CLAIMS IN SUCH ACTION MAY BE DECIDED IN SUCH COURT, (III) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM AND (IV) CONSENTS TO THE SERVICE OF PROCESS BY MAIL. A FINAL JUDGMENT IN ANY SUCH ACTION SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY MANNER PERMITTED BY LAW OR AFFECT ITS RIGHT TO BRING ANY ACTION IN ANY OTHER COURT. EACH OF THE BORROWER AND CMS ENERGY AGREES THAT THE AGENTS SHALL HAVE THE RIGHT TO PROCEED AGAINST THE BORROWER, CMS ENERGY OR ITS RESPECTIVE PROPERTY IN A COURT IN ANY LOCATION TO ENABLE THE AGENTS AND THE LENDERS TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE AGENTS OR ANY LENDER. EACH OF THE BORROWER AND CMS ENERGY AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY ANY AGENT OR ANY LENDER TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF ANY AGENT OR ANY LENDER. EACH OF THE BORROWER AND CMS ENERGY WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH ANY AGENT OR ANY LENDER MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

SECTION 10.11. RELATION OF THE PARTIES; NO BENEFICIARY. No term, provision or requirement, whether express or implied, of any Loan Document, or actions taken or to be taken by any party thereunder, shall be construed to create a partnership, association, or joint venture between such parties or any of them. No term or provision of the Loan Documents shall be construed to confer a benefit upon, or grant a right or privilege to, any Person other than the parties hereto. The Borrower hereby acknowledges that neither any Agent nor any Lender has any fiduciary relationship with or fiduciary duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Agents and the Lenders, on the one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor.

SECTION 10.12. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

SECTION 10.13. SURVIVAL OF AGREEMENT. All covenants, agreements, representations and warranties made herein and in the certificates pursuant hereto shall be considered to have been relied upon by the Agents and the Lenders and shall survive the making by the Lenders of the Extensions of Credit and the execution and delivery to the Lenders of any Promissory Notes evidencing the Extensions of Credit and shall continue in full force and effect so long as any Promissory Note or any amount due hereunder is outstanding and unpaid or any Commitment of any Lender has not been terminated.

SECTION 10.14. LIMITATION OF LIABILITY: COMMUNICATIONS. WITH RESPECT TO COMMUNICATIONS DELIVERED PURSUANT TO SECTION 10.15 OF THIS AGREEMENT, SUCH COMMUNICATIONS AND THE PLATFORM ARE PROVIDED "AS IS" AND "AS AVAILABLE". THE CITIGROUP PARTIES DO NOT WARRANT THE ACCURACY, ADEQUACY OR COMPLETENESS OF THE COMMUNICATIONS OR THE PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS OR THE PLATFORM. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE CITIGROUP PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE PLATFORM. THE BORROWER HEREBY ACKNOWLEDGES THAT ALTHOUGH THE PRIMARY WEB PORTAL IS SECURED WITH A DUAL FIREWALL AND A USER IDENTIFICATION/PASSWORD AUTHORIZATION SYSTEM AND THE PLATFORM IS SECURED THROUGH A SINGLE USER PER DEAL AUTHORIZATION METHOD WHEREBY EACH USER MAY ACCESS THE PLATFORM ONLY ON A DEAL-BY-DEAL BASIS, THE DISTRIBUTION OF MATERIAL THROUGH AN ELECTRONIC MEDIUM IS NOT NECESSARILY SECURE AND THAT THERE ARE CONFIDENTIALITY AND OTHER RISKS ASSOCIATED WITH SUCH DISTRIBUTION. THE PROVISIONS OF THIS SECTION 10.14 SHALL SURVIVE THE MAKING OF ANY LOAN, THE REPAYMENT THEREOF AND THE TERMINATION OF THIS AGREEMENT AND ANY LOAN DOCUMENT.

SECTION 10.15. PLATFORM AND PRIMARY WEB PORTAL.

(a) The Borrower shall use its commercially reasonable best efforts to transmit to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to this Agreement and the other Loan Documents, including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a notice of borrowing or other extension of credit or a conversion of an existing interest rate on any Loan or borrowing (including, without limitation, any Notice of Conversion), (ii) relates to the payment of any principal or other amount due hereunder prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default hereunder or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any extension of credit hereunder (all such non-excluded communications being referred to herein collectively as "COMMUNICATIONS"), in an electronic/soft medium in a format reasonably acceptable to the Administrative Agent to oploanswebadmin@citigroup.com. In addition, the Borrower shall continue to provide the

Communications to the Administrative Agent in the manner specified in this Agreement but only to the extent requested by the Administrative Agent. Each Lender and the Borrower further agree that the Administrative Agent may make the Communications available to the Lenders by posting the Communications on "e-Disclosure" (the "PLATFORM"), the Administrative Agent's internet delivery system that is part of SSB Direct, Global Fixed Income's primary web portal (the "PRIMARY WEB PORTAL").

(b) The Administrative Agent agrees that the receipt of the Communications by the Administrative Agent at its e-mail address set forth in clause (a) above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of this Agreement and under the Loan Documents. Each Lender agrees that notice to it at its e-mail address provided in clause (a) above specifying that Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Lender under this Agreement and under the Loan Documents.

(c) Nothing in this Agreement or any other Loan Document shall prejudice the right of the Administrative Agent or any Lender to give any notice or other communication pursuant hereto or to any other Loan Document in any other manner specified herein or therein.

(d) The provisions of Section 10.15(a) and (b) shall terminate on the date that neither CUSA nor any of the Citigroup Parties is the Administrative Agent.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto dully authorized, as of the date first above written.

CMS ENTERPRISES COMPANY

By: /s/ Laura L. Mountcastle

Name: Laura L. Mountcastle
Title: Authorized Representative

CMS ENERGY CORPORATION

By: /s/ Laura L. Mountcastle

Name: Laura L. Mountcastle
Title: Authorized Representative

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Credit Agreement

CITICORP USA, INC., as Collateral Agent and as Administrative Agent

By: /s/ Dale R. Goncher

Name: Dale R. Goncher
Title: Director

CITIBANK, N.A., as a Lender

By: /s/ Dale R. Goncher

Name : Dale R. Goncher
Title: Director

Address : 388 Greenwich St.
New York, NY 10013
Attn: Nicholas McKee
Telephone: (212)816-8592
Fax: (212) 816-8098

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Credit Agreement

COMMITMENT SCHEDULE

LENDER	Commitment
CITIBANK, N.A.	$441,000,000
Total Commitments:	$441,000,000

CMS ENERGY CORPORATION
SCHEDULE I
GAAP DEBT BREAKDOWN
AS OF FEBRUARY 28, 2003

BORROWER	FACILITY		CURRENT BALANCE
CMS ENERGY			
	$295.8MM Credit Agreement		$123,819,866
	$300MM Credit Agreement		133,800,000
	General Term Notes		
		Series D	79,922,000
		Series E	215,955,000
		Series F	297,686,000
	Sr. Unsecured Notes @ 7 5/8%		175,815,000
	Convert. Sub. Debentures		172,500,000
	Extend. Tenor Rate Adj. Sec.		180,000,000
	Sr. Unsecured Notes @ 7.5%		408,845,000
	Sr. Unsecured Notes @ 6.75%		287,025,000
	Sr. Notes @ 8.9%		260,475,000
	Sr. Notes @ 8 3/8%		150,000,000
	Sr. Notes @ 9.875%		467,558,000
	Premium Equity Participating Security Units		220,000,000
	Sr. Notes @ 8.5%		300,375,000
	CMS Methanol Company		14,000,000
PANHANDLE EASTERN PIPE LINE			
	Sr. Notes @ 6.125%		292,500,000
	Sr. Notes @ 6.5%		158,980,000
	Sr. Notes @ 7.0%		135,890,000
	Sr. Notes @ 8.25%		60,000,000
	Notes @ 7.785%		100,000,000
	Debentures @ 7.2%		58,000,000
	Debentures @ 7.95%		76,500,000
	Citibank Bridge Loan		40,000,000
CMS ENTERPRISES			
	None		
CMS GENERATION COMPANY			
	CMS Capital LLC		4,957,214
CMS GAS TRANSMISSION			
	CMS Capital LLC		11,394,197
	Antrim Gas Term Loan with BOM		22,625,000
	Jackson Pipeline RCF with Tor Dom		2,687,000

CMS ELECTRIC & GAS	None	
CMS MARKETING SERVICES & TRADING	CMS Capital LLC	127,353,473
CMS INTERNATIONAL VENTURES LLC	None	
DEARBORN INDUSTRIAL ENERGY LLC	None	
CMS GENERATION MICHIGAN POWER LLC	None	
DEARBORN INDUSTRIAL GENERATION	CMS Capital LLC	13,337,242
CMS FIELD SERVICES	The CIT Group	731,204
CMS GAS PROCESSING LLC	CMS Capital LLC	6,036,529
CMS NATURAL GAS GATHERING LLC	CMS Capital LLC	3,346,852
PANHANDLE PIPE LINE COMPANY	Trunkline Gas Company S-T	100,000,000
	Trunkline Gas Company L-T	100,000,000
CMS CAPITAL LLC	CMS Enterprises Company	11,197,420
	CMSG Filer City Operating Company	413,815
	CMSG Honey Lake Company	462,258
	CMS Jackson Pipeline Company	91,705
	CMS Bay Area Pipeline Company	1,054,924
	CMSG Graying Holdings Company	1,164,325
	CMSG Operating Company	1,323,669
	CMSG Mon Valley Company	11,563
	CMS Saginaw Bay Lateral Company	276,140
	CMS Antrim Gas LLC	1,370,523
	CMSG Holdings Company	1,206,958
	CMSG Altoona Company	182,228
	CMSG Genesee Company	1,513,182
	CMS Resource Development	2,855,881

	CMSG Recycling Company	371,025
	CMSG Lyonsdale Company	20,160
	Mon Valley Energy	113
	CMSG Chateaugay Company	35,096
	CMS Grands Lacs LLC	1,400,457
	HYDRA-CO Enterprises, Inc.	1,696,027
	CMSG Operating Company II	1,055,368
	HCE Appomattox, Inc.	341,816
	HCE Jamaica Development, Inc.	5,780
	HCO Jamaica, Inc.	164,957
	CMS Electric & Gas Company	4,036,096
	CMS Texon Company	632,042
	CMS Marysville Gas Liquids Company	670,134
	CMSG Stratton Company	72,258
	CMS Field Services, Inc.	34,262,090
	CMS Laverne Gas Processing, LLC	64,085
	Panhandle Eastern Pipeline Company	308,744,037
	Taweeelah A2 Operating Company	810,173
	Dearborn Generation Operating, LLC	3,955,220
	CMS Capital Financial Services, Inc.	602,157
	CMSG Michigan Power, LLC	804,292
	CMS Enterprises Data Mart	243,398
	CMS MS&T Michigan, LLC	15,991,117
	CMS Energy UK Limited	1,879,798
	CMS MicroPower Systems, LLC	3,422,229
	CMSG Investment Company I	808,707
	CMS Business Development, LLC	3,266,068
	CMS Enterprises Development, LLC	232,701
	CMS International Ventures, LLC	3,436,843
	CMS Enterprise Oil & Gas Company	108,856,818
	CMSG Investment Company V	1,553,780
TOTAL GAAP DEBT		$5,324,674,009

SCHEDULE II

Pledged Ownership Interests

GRANTOR	PLEDGED SUBSIDIARIES
CMS Energy Corporation	CMS Enterprises Company (100%)
	Consumers Energy Company (100%)
CMS Enterprises Company	CMS Generation Co. (100%)
	CMS Gas Transmission Company (100%)
	CMS Capital, L.L.C. (100%)
	CMS Marketing, Services and Trading Company (100%)
	CMS International Ventures, L.L.C. (40.47%)
CMS International Ventures, L.L.C.	CMS Electric & Gas, L.L.C. (100%)
CMS Generation Co.	CMS International Ventures, L.L.C. (21.02%)
	Dearborn Industrial Energy, L.L.C. (100%)
	CMS Generation Michigan Power L.L.C. (100%)
Dearborn Industrial Energy, L.L.C.	Dearborn Industrial Generation, L.L.C. (100%)
CMS Gas Transmission Company	CMS International Ventures, L.L.C. (37.01%)
	Panhandle Eastern Pipe Line Company (100%)
	CMS Field Services, Inc. (100%)
CMS Field Services, Inc.	CMS Gas Processing, L.L.C. (100%)
	CMS Natural Gas Gathering, L.L.C. (100%)
	CMS Field Services Holdings Company (100%)

EXHIBIT 4(j)

EXECUTION COPY

$75,000,000

CREDIT AGREEMENT

Dated as of April 21, 2003,

Among

CMS ENTERPRISES COMPANY
as Borrower

CMS ENERGY CORPORATION
as a Loan Party

THE BANKS NAMED HEREIN
as Banks

CITICORP USA, INC.
as Administrative Agent and as Collateral Agent

CITIGROUP CAPITAL MARKETS
as Sole Book Manager and Sole Lead Arranger

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CREDIT AGREEMENT

Dated as of April 21, 2003

THIS CREDIT AGREEMENT (the "AGREEMENT") is made by and among:

(i) CMS Enterprises Company, a Michigan corporation (the "BORROWER"),

(ii) CMS Energy Corporation, a Michigan corporation ("CMS ENERGY"), as one of the Loan Parties (as hereinafter defined),

(iii) the banks (the "BANKS") listed on the signature pages hereof and the other Lenders (as hereinafter defined) from time to time party hereto, and

(iv) Citicorp USA, Inc. ("CUSA"), as administrative agent (the "ADMINISTRATIVE AGENT") for the Lenders hereunder and as collateral agent (the "COLLATERAL AGENT") for the Lenders hereunder.

PRELIMINARY STATEMENTS

The Borrower has requested the Banks to provide the credit facility hereinafter described in the amount and on the terms and conditions set forth herein. The Banks have so agreed on the terms and conditions set forth herein, and the Agents have agreed to act as agents for the Lenders on such terms and conditions.

The parties hereto acknowledge and agree that neither Consumers (as hereinafter defined) nor any of its Subsidiaries (as hereinafter defined) will be a party to, or will in any way be bound by any provision of, this Agreement or any other Loan Document (as hereinafter defined), and that no Loan Document will be enforceable against Consumers or any of its Subsidiaries or their respective assets.

Accordingly, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. CERTAIN DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"ABR LOAN" means a Loan that bears interest as provided in Section 3.05(b)(i).

"ADJUSTED LIBO RATE" means, for each Interest Period for each Eurodollar Rate Loan made as part of the same Borrowing, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"ADMINISTRATIVE QUESTIONNAIRE" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"AFFILIATE" means, with respect to any Person, any other Person directly or indirectly controlling (including but not limited to all directors and officers of such Person), controlled by, or under direct or indirect common control with such Person. A Person shall be deemed to control another entity if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities, by contract, or otherwise.

"AGENT" means, as the context may require, the Administrative Agent or the Collateral Agent, and "AGENTS" means any or all of the foregoing.

"AIG PLEDGE AGREEMENT" means that certain Pledge and Security Agreement, dated as of January 8, 2003, by and among the Borrower and the other grantors parties thereto in favor of American Home Assurance Company, as collateral agent, a copy of which is attached hereto as Exhibit L, as amended, restated, supplemented or otherwise modified from time to time.

"ALTERNATE BASE RATE" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day, (b) 1/2 of one percent above the CD Rate, and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the CD Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate, CD Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE LENDING OFFICE" means, with respect to each Lender, at the address specified for such Lender on its signature page to this Agreement or in the Lender Assignment pursuant to which it became a Lender, as applicable, or at any office, branch, subsidiary or affiliate of such Lender specified in a notice received by the Administrative Agent and the Borrower from such Lender.

"APPLICABLE MARGIN" means, on any date of determination with respect to any Loans, the per annum rate specified in the table below for such Loans:

	Applicable Margin
ABR Loans	4.50%
Eurodollar Rate Loans	5.50%

"APPLICABLE RATE" means:

(i) in the case of each ABR Loan, a rate per annum equal at all times to the sum of the Alternate Base Rate in effect from time to time plus the Applicable Margin; and

(ii) in the case of each Eurodollar Rate Loan comprising part of the same Borrowing, a rate per annum during each Interest Period equal at all times to the sum of the Adjusted LIBO Rate for such Interest Period plus the Applicable Margin.

"ARRANGER" means Citigroup Capital Markets, Inc.

"AVAILABLE COMMITMENT" means, for each Lender on any day, the unused portion of such Lender's Commitment, computed after giving effect to all Extensions of Credit or prepayments to be made on such day and the application of proceeds therefrom. "AVAILABLE COMMITMENTS" means the aggregate of the Lenders' Available Commitments.

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"BOND CASH COLLATERAL ACCOUNT" is defined in Section 5.01(c)(ii).

"BORROWING" means a borrowing consisting of Loans of the same Type, having the same Interest Period and made or Converted on the same day by the Lenders, ratably in accordance with their respective Percentages. Any Borrowing consisting of Loans of a particular Type may be referred to as being a Borrowing of such "TYPE". All Loans of the same Type, having the same Interest Period and made or Converted on the same day shall be deemed a single Borrowing hereunder until repaid or next Converted.

"BUSINESS DAY" means a day of the year on which banks are not required or authorized to close in New York City and Detroit, Michigan, and, if the applicable Business Day relates to any Eurodollar Rate Loan, on which dealings are carried on in the London interbank market.

"CASH DIVIDEND INCOME" means, for any period, the amount of all cash dividends received by CMS Energy from its Subsidiaries during such period that are paid out of the net income or loss (without giving effect to: any extraordinary gains in excess of $25,000,000, the amount of any write-off or write-down of assets, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts, in each case in accordance with GAAP consistently applied, and up to $200,000,000 of other non-cash write-offs) of such Subsidiaries during such period.

"CD RATE" means the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average being determined weekly on each Monday (or, if such day is not a Business Day, on the next

succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, in either case, adjusted to the nearest 1/16 of one percent or, if there is no nearest 1/16 of one percent, to the next higher 1/16 of one percent.

"CHANGE OF CONTROL" means (a) any "person" or "group" within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of more than 50% of the then outstanding voting capital stock of CMS Energy, or (b) the majority of the board of directors of CMS Energy shall fail to consist of Continuing Directors, or (c) a consolidation or merger of CMS Energy shall occur after which the holders of the outstanding voting capital stock of CMS Energy immediately prior thereto hold less than 50% of the outstanding voting capital stock of the surviving entity, (d) more than 50% of the outstanding voting capital stock of CMS Energy shall be transferred to any entity of which CMS Energy owns less than 50% of the outstanding voting capital stock, or (e) CMS Energy shall cease to own, directly or indirectly, 80% of the then outstanding voting capital stock of the Borrower.

"CITIBANK" means Citibank, N.A., a national banking association.

"CITIGROUP PARTIES" means Citibank, CUSA, Citigroup Capital Markets, Inc. and each of their respective Affiliates, and each of their respective officers, directors, employees, agents, advisors, and representatives.

"CLOSING DATE" means April 21, 2003.

"CMS ENERGY CREDIT AGREEMENT" means that certain $409,000,000 Second Amended and Restated Credit Agreement, dated as of March 30, 2003, by and among CMS Energy, the Banks and the Agents, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"CMS ENERGY INTEREST EXPENSE" means at any date, the total interest expense in respect of Debt of CMS Energy for the four calendar quarters immediately preceding such date, including, without duplication, (i) interest expense attributable to capital leases, (ii) amortization of debt discount, (iii) capitalized interest, (iv) cash and noncash payments, (v) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, (vi) net costs under interest rate swap, "cap", "collar" or other hedging agreements (including amortization of discount) and (vii) interest expense in respect of obligations of Persons deemed to be Debt of CMS Energy under clause (ix) of the definition of Debt, provided, however that CMS Energy Interest Expense shall exclude any costs otherwise included in interest expense recognized on early retirement of debt.

"COLLATERAL" means all property and interests in property now owned or hereafter acquired by any Loan Party upon which a Lien is granted under any of the Loan Documents.

"COMBINED OBLIGATIONS" means the sum of all of the Obligations hereunder and all of the "Obligations" under (and as defined in) the Enterprises 2003-A Credit Agreement.

"COMMITMENT" means, for each Lender, the obligation of such Lender to make Loans to the Borrower prior to the Commitment Termination Date in an aggregate amount no greater than the amount set forth opposite such Lender's name on the Commitment Schedule under the heading "Commitment" or, if such Lender has entered into one or more Lender Assignments, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 10.07(c), in each such case as such amount may be reduced from time to time pursuant to Section 2.03. "COMMITMENTS" means the total of the Lenders' Commitments hereunder. As of the Closing Date the aggregate of all of the Lenders' Commitments equals $75,000,000.

"COMMITMENT FEE MARGIN" means a per annum rate equal to the sum of the Adjusted LIBO Rate for such Interest Period plus 5.50%.

"COMMITMENT SCHEDULE" means the Schedule identifying each Lender's Commitment as of the Closing Date attached hereto and identified as such.

"COMMITMENT TERMINATION DATE" means the earlier of (i) the Conversion Date, (ii) the date of delivery of any Notice to Convert, and (iii) the date of termination or reduction in whole of the Commitments pursuant to Section 2.03 or 8.02.

"COMMUNICATIONS" is defined in Section 10.15.

"CONFIDENTIAL INFORMATION" has the meaning assigned to that term in Section 10.08.

"CONSOLIDATED DEBT" means, without duplication, as determined on a consolidated basis in accordance with GAAP, at any date of determination, the sum of the aggregate Debt of CMS Energy plus the aggregate debt (as such term is construed in accordance with GAAP) of the Consolidated Subsidiaries; provided, however, that:

(a) Consolidated Debt shall not include any Support Obligation described in clause (iv) or (v) of the definition thereof if such Support Obligation or the primary obligation so supported is not fixed or conclusively determined or is not otherwise reasonably quantifiable as of the date of determination;

(b) Consolidated Debt shall not include (i) any Junior Subordinated Debt owned by any Hybrid Preferred Securities Subsidiary or (ii) any guaranty by CMS Energy of payments with respect to any Hybrid Preferred Securities, provided that such guaranty is subordinated to the rights of the Lenders hereunder and under the other Loan Documents pursuant to terms of subordination

substantially similar to those set forth in Exhibit H, or pursuant to other terms and conditions satisfactory to the Required Lenders;

(c) for purposes of this definition only, the percentage of the Net Proceeds from any issuance of hybrid debt/equity securities (other than Junior Subordinated Debt and Hybrid Preferred Securities) by CMS Energy or any Consolidated Subsidiary that shall be considered Consolidated Debt shall be agreed by the Arranger and CMS Energy (and consented to by the Required Lenders) and shall be based on, among other things, the treatment (if any) given to such hybrid securities by the rating agencies;

(d) with respect to any Support Obligations provided by CMS Energy in connection with a purchase or sale by MS&T or its Subsidiaries of natural gas, natural gas liquids, gas condensates, electricity, oil, propane, coal, any other commodity, weather derivatives or any derivative instrument with respect to any commodity with any other Person (a "COUNTERPARTY"), Consolidated Debt shall include only the excess, if any, of (A) the aggregate amount of any Support Obligations provided by CMS Energy in respect of MS&T's or any of its Subsidiary's obligations under any such purchase or sale transaction (a "COVERING TRANSACTION") entered into by MS&T or any of its Subsidiaries in connection with such purchase or sale over (B) the aggregate amount of (i) any Support Obligations provided by the direct or indirect parent company of such Counterparty (the "COUNTERPARTY GUARANTOR") and (ii) any irrevocable letter of credit provided by any financial institution for the account of such Counterparty or Counterparty Guarantor, in each case for the benefit of MS&T or any of its Subsidiaries in support of such Counterparty's payment obligations to MS&T or such Subsidiary arising from such purchase or sale, provided that (x) the senior, unsecured, non-credit enhanced indebtedness of such Counterparty Guarantor or such financial institution (as the case may be) is rated BBB- (or its equivalent) or higher by any two of S&P, Fitch and Moody's, provided that in the event that such Counterparty Guarantor has no such rated indebtedness, Dun & Bradstreet Inc. has rated such Counterparty Guarantor at least investment grade, (y) no default by such Counterparty Guarantor in respect of any such Support Obligations provided by such Counterparty Guarantor has occurred and is continuing and (z) such Counterparty Guarantor is not CMS Energy or any Affiliate of CMS Energy or any of its Subsidiaries;

(e) Consolidated Debt shall not include any Project Finance Debt of CMS Energy or any Consolidated Subsidiary; and

(f) Consolidated Debt shall not include the principal amount of any Securitized Bonds.

"CONSOLIDATED EBITDA" means, with reference to any period, the pretax operating income of CMS Energy and its Subsidiaries ("PRETAX OPERATING INCOME") for such period plus, to the extent deducted in determining Pretax Operating Income (without duplication), (i) depreciation, depletion and amortization, and (ii) any non-cash

write-offs and write-downs contained in CMS Energy's Pretax Operating Income, including, without limitation, write-offs or write-downs related to the sale of assets, impairment of assets and loss on contracts, in each case in accordance with GAAP consistently applied, all calculated for CMS Energy and its Subsidiaries on a consolidated basis for such period; provided, however that Consolidated EBITDA shall not include any operating income attributable to that portion of the revenues of Consumers dedicated to the repayment of the Securitized Bonds.

"CONSOLIDATED SUBSIDIARY" means any Subsidiary whose accounts are or are required to be consolidated with the accounts of CMS Energy in accordance with GAAP.

"CONSUMERS" means Consumers Energy Company, a Michigan corporation, all of whose common stock is on the Closing Date owned by CMS Energy.

"CONSUMERS CREDIT FACILITY" means, collectively, Consumer's existing (i) $300,000,000 term loan facility, (ii) $150,000,000 term loan B facility, (iii) $140,000,000 term loan facility and (iv) $250,000,000 revolving loan facility, as in effect on the date hereof.

"CONSUMERS DIVIDEND RESTRICTION" means any restriction enacted or imposed after October 1, 1992 upon the ability of Consumers to pay cash dividends to CMS Energy in respect of Consumers' capital stock, whether such restriction is imposed by statute, regulation, decisions or rulings by the Michigan Public Service Commission or the Federal Energy Regulatory Commission (or any successor agency or agencies), final judgments of any court of competent jurisdiction, indentures, agreements, contracts or restrictions to which Consumers is a party or by which it is bound or otherwise; provided, that no restriction on such dividends existing on October 1, 1992 shall be a Consumers Dividend Restriction at any time.

"CONTINUING DIRECTOR" means, as of any date of determination, any member of the board of directors of CMS Energy who (a) was a member of such board of directors on the Closing Date, or (b) was nominated for election or elected to such board of directors with the approval of the Continuing Directors who were members of such board of directors at the time of such nomination or election; provided that an individual who is so elected or nominated in connection with a merger, consolidation, acquisition or similar transaction shall not be a Continuing Director unless such individual was a Continuing Director prior thereto.

"CONVERSION", "CONVERT" or "CONVERTED" refers to a conversion of Loans of one Type into Loans of another Type, or to the selection of a new, or the renewal of the same, Interest Period for Loans, as the case may be, pursuant to Section 3.02 or 3.03.

"CONVERSION DATE" is defined in Section 2.01(b).

"DEBT" means, for any Person, without duplication, any and all indebtedness, liabilities and other monetary obligations of such Person (whether for principal, interest, fees, costs, expenses or otherwise, and whether contingent or otherwise) (i) for borrowed money or evidenced by bonds, debentures, notes or other similar instruments, (ii) to pay

the deferred purchase price of property or services (except trade accounts payable arising in the ordinary course of business which are not overdue), (iii) as lessee under leases which shall have been or should be, in accordance with GAAP, recorded as capital leases, (iv) under reimbursement or similar agreements with respect to letters of credit issued thereunder (except reimbursement obligations and letters of credit that are cash collateralized), (v) under any interest rate swap, "cap", "collar" or other hedging agreements; provided, however, for purposes of the calculation of Debt for this clause (v) only, the actual amount of Debt of such Person shall be determined on a net basis to the extent such agreements permit such amounts to be calculated on a net basis, (vi) to pay rent or other amounts under leases entered into in connection with sale and leaseback transactions involving assets of such Person being sold in connection therewith, (vii) arising from any accumulated funding deficiency (as defined in Section 412(a) of the Internal Revenue Code of 1986, as amended) for a Plan, (viii) arising in connection with any withdrawal liability under ERISA to any Multiemployer Plan and (ix) arising from (A) direct or indirect guaranties in respect of, and obligations to purchase or otherwise acquire, or otherwise to warrant or hold harmless, pursuant to a legally binding agreement, a creditor against loss in respect of, Debt of others referred to in clauses (i) through (viii) above and (B) other guaranty or similar financial obligations in respect of the performance of others, including Support Obligations. Notwithstanding the foregoing, solely for purposes of the calculation required under Section 7.01(j)(ii), Debt shall not include any Junior Subordinated Debt issued by CMS Energy and owned by any Hybrid Preferred Securities Subsidiary.

"DEBT FOR BORROWED MONEY" means, for any Person, without duplication, the sum of (i) Debt of such Person described in clause (i) of the definition of "Debt", plus (ii) all obligations of such Person with respect to receivables sold or otherwise discounted with recourse, plus (iii) all Project Finance Debt entered into by such Person on or after the Closing Date (other than Project Finance Debt incurred substantially contemporaneously with the acquisition or construction of the assets securing such Project Finance Debt), but shall exclude (a) notes, bills and checks presented in the ordinary course of business by such Person to banks for collection or deposit, (b) with respect to CMS Energy and its Subsidiaries, all obligations of CMS Energy and its Subsidiaries of the character referred to in this definition to the extent owing to CMS Energy or any of its Subsidiaries, (c) with respect to Panhandle and its Subsidiaries, refinancings of Debt of Panhandle and its Subsidiaries existing as of the Closing Date, and Debt incurred or collateral delivered on or after the Closing Date with respect to any Support Obligations of Panhandle or its Subsidiaries existing as of the Closing Date, and (d) refinancings of Debt existing as of the Closing Date or incurred after the Closing Date in accordance with this Agreement, as applicable, to the extent such refinancing Debt is otherwise permitted under this Agreement.

"DEFAULT" means an event that, with the giving of notice or lapse of time or both, would constitute an Event of Default.

"DEFAULT RATE" means a rate per annum equal at all times to (i) in the case of any amount of principal of any Loan that is not paid when due, 2% per annum above the Applicable Rate required to be paid on such Loan immediately prior to the date on which

such amount became due, and (ii) in the case of any amount of interest, fees or other amounts payable hereunder that is not paid when due, 2% per annum above the Applicable Rate for an ABR Loan in effect from time to time.

"DESIGNATED PREPAYMENT" means each mandatory prepayment required by clauses (i), (ii), (iii) and (iv) of Section 2.03(c).

"DIVIDEND COVERAGE RATIO" means, at any date, the ratio of (i) Pro Forma Dividend Amounts to (ii) CMS Energy Interest Expense.

"DOLLARS" and the sign "$" each means lawful money of the United States.

"ELIGIBLE BANKS" means each of Merrill Lynch Bank USA and Deutsche Bank Trust Company Americas.

"ENTERPRISES 2003-A CREDIT AGREEMENT" means that certain Credit Agreement, dated as of March 30, 2003, by and among the Borrower, CMS Energy, as a loan party, the lenders from time to time parties thereto and the Agents, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"ENTERPRISES SIGNIFICANT SUBSIDIARY" means CMS Generation Co., CMS Gas Transmission Company, Panhandle, any direct or indirect subsidiary of Panhandle and any other direct subsidiary of the Borrower having a net worth in excess of $50,000,000.

"ENVIRONMENTAL LAWS" means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any governmental agency or authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Substance or to health and safety matters.

"ENVIRONMENTAL LIABILITY" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of CMS Energy or any of its Subsidiaries 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 Substances, (c) exposure to any Hazardous Substances, (d) the release or threatened release of any Hazardous Substances 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.

"EQUITY DISTRIBUTIONS" means, for any period, the aggregate amount of cash received by CMS Energy from its Subsidiaries during such period that are paid out of proceeds from the sale of common equity of Subsidiaries of CMS Energy.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA AFFILIATE" means, with respect to any Person, any trade or business (whether or not incorporated) that is a member of a commonly controlled trade or business under Sections 414(b), (c), (m) and (o) of the Internal Revenue Code of 1986, as amended.

"EURODOLLAR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

"EURODOLLAR RATE LOAN" means a Loan that bears interest as provided in Section 3.05(b)(ii).

"EVENT OF DEFAULT" is defined in Section 8.01.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXTENSION OF CREDIT" means the making of a Borrowing (including any Conversion).

"FAIR MARKET VALUE" means, with respect to any asset, the value of the consideration obtainable in a sale of such asset in the open market, assuming a sale by a willing seller to a willing purchaser dealing at arm's length and arranged in an orderly manner over a reasonable period of time, each having reasonable knowledge of the nature and characteristics of such asset, neither being under any compulsion to act, and, if in excess of $50,000,000, as determined in good faith by the Board of Directors of CMS Energy.

"FEDERAL FUNDS EFFECTIVE RATE" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FEE LETTER" is defined in Section 2.02(c).

"FITCH" means Fitch, Inc. or any successor thereto.

"FOREIGN LENDER" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"FOREIGN SUBSIDIARY" is defined in Section 7.01(l).

"GAAP" is defined in Section 1.03.

"GOVERNMENTAL APPROVAL" means any authorization, consent, approval, license, permit, certificate, exemption of, or filing or registration with, any governmental authority or other legal or regulatory body, required in connection with (i) the execution, delivery, or performance of any Loan Document by any Loan Party, (ii) the grant and perfection of any Lien in favor of the Collateral Agent contemplated by the Loan Documents, or (iii) the exercise by any Agent (on behalf of the Lenders) of any right or remedy provided for under the Loan Documents.

"GRANTOR(S)" means each Guarantor and each of the following Subsidiaries of the Borrower: CMS Capital, L.L.C., a Michigan limited liability company, CMS Electric & Gas, L.L.C. (formerly known as CMS Electric and Gas Company), a Michigan limited liability company, MS&T, CMS International Ventures, L.L.C., a Michigan limited liability company, CMS Field Services, Inc., a Michigan corporation, Dearborn Industrial Energy, L.L.C., a Michigan limited liability company, Dearborn Industrial Generation, L.L.C., a Michigan limited liability company, CMS Generation Michigan Power L.L.C., a Michigan limited liability company, CMS Gas Processing, L.L.C., an Oklahoma limited liability company, CMS Natural Gas Gathering, L.L.C., an Oklahoma limited liability company and CMS Field Services Holdings Company, an Oklahoma corporation; provided that it is understood that none of the Grantors (other than CMS Energy) shall grant Liens to secure the Obligations unless and until the Intercreditor Agreement (Enterprises Facility) shall be effective.

"GUARANTOR" means CMS Energy, CMS Generation Co., a Michigan corporation, CMS Gas Transmission Company, a Michigan corporation, and each other Restricted Subsidiary (excluding Panhandle and its Subsidiaries) that has delivered, or shall be obligated to deliver, a guaranty under and pursuant to the terms of Section 7.01(l).

"GUARANTY" means that certain Amended and Restated Guaranty (and any and all supplements thereto) executed from time to time by each Guarantor in favor of the Collateral Agent for the benefit of itself and the Lenders, in substantially the form of Exhibit I attached hereto, as amended, restated, supplemented or otherwise modified from time to time.

"HAZARDOUS SUBSTANCE" means any waste, substance, or material identified as hazardous, dangerous or toxic by any office, agency, department, commission, board, bureau, or instrumentality of the United States or of the State or locality in which the same is located having or exercising jurisdiction over such waste, substance or material.

"HYBRID PREFERRED SECURITIES" means any preferred securities issued by a Hybrid Preferred Securities Subsidiary, where such preferred securities have the following characteristics:

(i) such Hybrid Preferred Securities Subsidiary lends substantially all of the proceeds from the issuance of such preferred securities to CMS Energy or a wholly-owned direct or indirect Subsidiary of CMS Energy in exchange for Junior Subordinated Debt issued by CMS Energy or such wholly-owned direct or indirect Subsidiary, respectively;

(ii) such preferred securities contain terms providing for the deferral of interest payments corresponding to provisions providing for the deferral of interest payments on the Junior Subordinated Debt; and

(iii) CMS Energy or a wholly-owned direct or indirect Subsidiary of CMS Energy (as the case may be) makes periodic interest payments on the Junior Subordinated Debt, which interest payments are in turn used by the Hybrid Preferred Securities Subsidiary to make corresponding payments to the holders of the preferred securities.

"HYBRID PREFERRED SECURITIES SUBSIDIARY" means any Delaware business trust (or similar entity) (i) all of the common equity interest of which is owned (either directly or indirectly through one or more wholly-owned Subsidiaries of CMS Energy or Consumers) at all times by CMS Energy or a wholly-owned direct or indirect Subsidiary of CMS Energy, (ii) that has been formed for the purpose of issuing Hybrid Preferred Securities and (iii) substantially all of the assets of which consist at all times solely of Junior Subordinated Debt issued by CMS Energy or a wholly-owned direct or indirect Subsidiary of CMS Energy (as the case may be) and payments made from time to time on such Junior Subordinated Debt.

"INDEMNIFIED PERSON" is defined in Section 10.04(b).

"INDENTURE" means that certain Indenture, dated as of September 15, 1992, between CMS Energy and the Trustee, as supplemented by the First Supplemental Indenture, dated as of October 1, 1992, the Second Supplemental Indenture, dated as of October 1, 1992, the Third Supplemental Indenture, dated as of May 6, 1997, the Fourth Supplemental Indenture, dated as of September 26, 1997, the Fifth Supplemental Indenture, dated as of November 4, 1997, the Sixth Supplemental Indenture, dated as of January 13, 1998, the Seventh Supplemental Indenture, dated as of January 25, 1999, the Eighth Supplemental Indenture, dated as of February 3, 1999, the Ninth Supplemental Indenture, dated as of June 22, 1999, the Tenth Supplemental Indenture, dated as of October 12, 2000, the Eleventh Supplemental Indenture, dated as of March 29, 2001, and the Twelfth Supplemental Indenture, dated as of July 2, 2001, as said Indenture may be further amended or otherwise modified from time to time in accordance with its terms.

"INTERCREDITOR AGREEMENT (CMS ENERGY FACILITY)" means that certain Intercreditor and Lien Subordination Agreement, dated as of January 8, 2003, by and among Citicorp USA, Inc., as senior collateral agent, American Home Assurance Company, individually and as junior collateral agent, and St. Paul Fire and Marine Insurance Company, individually, a copy of which is attached hereto as Exhibit M, as amended, restated, supplemented or otherwise modified from time to time.

"INTERCREDITOR AGREEMENT (ENTERPRISES FACILITY)" means an intercreditor and lien subordination agreement by and among the Collateral Agent and the other parties to the AIG Pledge Agreement in respect of the subordination of the Collateral Agent's Liens on certain assets of the Grantors to the prior Liens under the AIG Pledge Agreement, in form

and substance reasonably acceptable to the Agents, as amended, restated, supplemented or otherwise modified from time to time.

"INTEREST PERIOD" is defined in Section 3.03.

"JUNIOR SUBORDINATED DEBT" means any unsecured Debt of CMS Energy or a Subsidiary of CMS Energy (i) issued in exchange for the proceeds of Hybrid Preferred Securities and (ii) subordinated to the rights of the Lenders hereunder and under the other Loan Documents pursuant to terms of subordination substantially similar to those set forth in Exhibit G, or pursuant to other terms and conditions satisfactory to the Required Lenders.

"LENDER ASSIGNMENT" is defined in Section 10.07(e).

"LENDERS" means the Bank listed on the signature pages hereof, together with any Eligible Bank.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, the greater of (i) 2.00% per annum and (ii) the rate appearing on Page 3750 of the Telerate Service (or on any successor or substitute page of such Service, or any successor to or substitute for such Service, providing rate quotations comparable to those currently provided on such page of such Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO RATE" with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of $5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"LIEN" is defined in Section 7.02(a).

"LOAN" means a loan by a Lender to the Borrower, and refers to an ABR Loan or a Eurodollar Rate Loan (each of which shall be a "TYPE" of Loan). All Loans by a Lender of the same Type having the same Interest Period and made or Converted on the same day shall be deemed to be a single Loan by such Lender until repaid or next Converted.

"LOAN DOCUMENTS" means this Agreement, any Promissory Notes, the Fee Letter, the Guaranty, the Pledge Agreements, any account control agreement in respect of the Bond Cash Collateral Account, and all other agreements, instruments and documents now or hereafter executed and/or delivered pursuant hereto or thereto.

"LOAN PARTY" is defined in Section 5.01(a)(i).

"MATERIAL ADVERSE CHANGE" means any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the business, assets, property, financial condition, results of operations or prospects of CMS Energy and its Subsidiaries, considered as a whole, (b) the Borrower's and the Guarantors' ability, taken as a whole, to perform their obligations under this Agreement or any other Loan Document to which it is or will be a party or (c) the validity or enforceability of any Loan Document or the rights or remedies of any Agent or the Lenders thereunder; provided that the occurrence of any Restatement Event shall not constitute a Material Adverse Change.

"MEASUREMENT QUARTER" is defined in Section 7.01(i).

"MOODY'S" means Moody's Investors Service, Inc. or any successor thereto.

"MS&T" means CMS Marketing, Services and Trading Company, a Michigan corporation, all of whose capital stock is on the Closing Date owned by the Borrower.

"MULTIEMPLOYER PLAN" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NET PROCEEDS" means, with respect to any sale, assignment or other disposition of (but not the lease or license of) any property, or with respect to any sale or issuance of securities or incurrence of Debt, by any Person, gross cash proceeds received by such Person or any Subsidiary of such Person from such sale, assignment, disposition, issuance or incurrence (including cash received as consideration for the assumption or incurrence of liabilities incurred in connection with or in anticipation of such transaction) after (i) provision for all income or other taxes measured by or resulting from such transaction, (ii) payment of all customary underwriting commissions, auditing and legal fees, printing costs, rating agency fees and other customary and reasonable fees and expenses incurred by such Person in connection with such transaction, (iii) all amounts used to repay Debt (and any premium or penalty thereon) secured by a Lien on any asset disposed of in such sale, assignment or other disposition or which is or may be required (by the express terms of the instrument governing such Debt or by applicable law) to be repaid in connection with such sale, assignment, or other disposition, and (iv) deduction of appropriate amounts to be provided by such Person or a Subsidiary of such Person as a reserve, in accordance with GAAP consistently applied, against any liabilities associated with the assets sold, transferred or disposed of in such transaction and retained by such Person or a Subsidiary of such Person after such transaction, provided that "Net Proceeds" shall include on a dollar-for-dollar basis all amounts remaining in such reserve after such liability shall have been satisfied in full or terminated; provided, however, that notwithstanding the foregoing, "Net Proceeds" shall exclude (a) any amounts received or deemed to be received by CMS Energy for the purchase of CMS Energy's capital stock in connection with CMS Energy's dividend reinvestment program and (b) amounts received by CMS Energy or any Subsidiary of CMS Energy pursuant to any transaction with CMS Energy or any Subsidiary of CMS Energy otherwise permitted hereunder.

"NET WORTH" means, with respect to any Person, the excess of such Person's total assets over its total liabilities, total assets and total liabilities each to be determined in accordance with GAAP consistently applied, excluding, however, from the determination of total assets (i) goodwill, organizational expenses, research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other similar intangibles, (ii) cash held in a sinking, escrow or other analogous fund established for the purpose of redemption, retirement or prepayment of capital stock or Debt, and (iii) any items not included in clauses (i) or (ii) above, that are treated as intangibles in conformity with GAAP.

"NOTICE OF BORROWING" is defined in Section 3.01(a).

"NOTICE OF CONVERSION" is defined in Section 3.02.

"NOTICE TO CONVERT" is defined in Section 2.01(b).

"OBLIGATIONS" means all unpaid principal of and accrued and unpaid interest on the Loans, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Borrower and other Loan Parties to any of the Agents, the Arranger, the Lenders or any other indemnified party arising under the Loan Documents.

"OECD" means the Organization for Economic Cooperation and Development.

"OFF-BALANCE SHEET LIABILITY" of a Person shall mean any of the following obligations not appearing on such Person's consolidated balance sheet: (i) all lease obligations, leveraged leases, sale and leasebacks and other similar lease arrangements of such Person, (ii) any liability under any so called "synthetic lease" or "tax ownership operating lease" transaction entered into by such Person, and (iii) any obligation arising with respect to any other transaction if and to the extent that such obligation is the functional equivalent of borrowing but that does not constitute a liability on the consolidated balance sheet of such Person.

"OWNERSHIP INTEREST" of CMS Energy in any Consolidated Subsidiary means, at any date of determination, the percentage determined by dividing (i) the aggregate amount of Project Finance Equity in such Consolidated Subsidiary owned or controlled, directly or indirectly, by CMS Energy and any other Consolidated Subsidiary on such date, by (ii) the aggregate amount of Project Finance Equity in such Consolidated Subsidiary owned or controlled, directly or indirectly, by all Persons (including CMS Energy and the Consolidated Subsidiaries) on such date. Notwithstanding anything to the contrary set forth above, if the "Ownership Interest," calculated as set forth above, is 50% or less, such percentage shall be deemed to equal 0%.

"PANHANDLE" means Panhandle Eastern Pipe Line Company, a Delaware corporation, all of whose capital stock is on the Closing Date owned indirectly by the Borrower.

"PARTICIPANT" is defined in Section 10.07(b).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor entity) established under ERISA.

"PERCENTAGE" means, for any Lender on any date of determination, (a) prior to the Commitment Termination Date, the percentage obtained by dividing such Lender's Commitment on such day by the total of the Lenders' Commitments on such date, and multiplying the quotient so obtained by 100%, and (b) from and after the Commitment Termination Date, the percentage obtained by dividing the aggregate outstanding principal amount of such Lender's Loans on such day by the total of the Lenders' Loans on such day, and multiplying the quotient so obtained by 100%.

"PERMITTED INVESTMENTS" means each of the following so long as no such Permitted Investment shall have a final maturity later than six months from the date of investment therein:

(i) direct obligations of the United States, or of any agency thereof, or obligations guaranteed as to principal and interest by the United States or any agency thereof;

(ii) certificates of deposit or bankers' acceptances issued, or time deposits held, or investment contracts guaranteed, by any Lender, any nationally-recognized securities dealer or any other commercial bank, trust company, savings and loan association or savings bank organized under the laws of the United States, or any State thereof, or of any other country which is a member of the OECD, or a political subdivision of any such country, and in each case having outstanding unsecured indebtedness that (on the date of acquisition thereof) is rated AA- or better by S&P or Aa3 or better by Moody's (or an equivalent rating by another nationally-recognized credit rating agency of similar standing if neither of such corporations is then in the business of rating unsecured bank indebtedness);

(iii) obligations with any Lender, any other bank or trust company described in clause (ii), above, or any nationally-recognized securities dealer, in respect of the repurchase of obligations of the type described in clause (i), above, provided that such repurchase obligations shall be fully secured by obligations of the type described in said clause (i) and the possession of such obligations shall be transferred to, and segregated from other obligations owned by, such Lender, such other bank or trust company or such securities dealer;

(iv) commercial paper rated (on the date of acquisition thereof) A-1 or P-1 or better by S&P or Moody's, respectively (or an equivalent rating by another nationally-recognized credit rating agency of similar standing if neither of such corporations is then in the business of rating commercial paper);

(v) any eurodollar certificate of deposit issued by any Lender or any other commercial bank, trust company, savings and loan association or savings bank organized under the laws of the United States, or any State thereof, or of any

country which is a member of the OECD, or a political subdivision of any such country, and in each case having outstanding unsecured indebtedness that (on the date of acquisition thereof) is rated AA- or better by S&P or Aa3 or better by Moody's (or an equivalent rating by another nationally-recognized credit rating agency of similar standing if neither of such corporations is then in the business of rating unsecured bank indebtedness); and

(vi) interests in any money market mutual fund which at the date of investment in such fund has the highest fund rating by each of Moody's and S&P which has issued a rating for such fund (which, for S&P, shall mean a rating of AAAm or AAAmg).

"PERSON" means an individual, partnership, corporation (including a business trust), joint stock company, limited liability company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PLAN" means, with respect to any Person, an "employee benefit plan" as defined in Section 3(3) of ERISA (other than a Multiemployer Plan) maintained for employees of such Person or any ERISA Affiliate of such Person that is subject to Title IV of ERISA and has "unfunded benefit liabilities" as determined under Section 4001(a)(18) of ERISA.

"PLAN TERMINATION EVENT" means, (i) with respect to any Plan, a "reportable event" within the meaning of Section 4043 of ERISA and the regulations issued thereunder (other than a "reportable event" not subject to the provision for 30-day notice to the PBGC under such regulations or a "reportable event" for which the provision for the 30-day notice to the PBGC under such regulations has been waived), or (ii) the withdrawal by CMS Energy or any of its ERISA Affiliates from a Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA resulting in liability to CMS Energy or any of its ERISA Affiliates under Section 4063 or 4064 of ERISA, or (iii) the filing of a notice of intent to terminate a Plan or the termination of a Plan under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC, or (v) any other event or condition which is reasonably likely to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"PLATFORM" is defined in Section 10.15

"PLEDGE AGREEMENTS" means each of (i) that certain Amended and Restated Pledge and Security Agreement, dated as of April 21, 2003, by and between CMS Energy and the Collateral Agent, in substantially the form of Exhibit J attached hereto, pursuant to which CMS Energy shall grant a security interest in the capital stock of Consumers and the Borrower and a security interest in accounts receivable and notes owed by the Borrower or any Subsidiary of the Borrower to CMS Energy, and (ii) that certain Pledge and Security Agreement, dated as of the effective date of the Intercreditor Agreement (Enterprises Facility), by and among the Grantors and the Collateral Agent in

substantially the form of Exhibit K hereto, pursuant to which such Grantors shall grant a security interest in the capital stock (or comparable interest) of each of the Subsidiaries of the Borrower identified as owned by it on Schedule II hereto and a security interest in accounts receivable and notes owed by CMS Energy or the Borrower or any Subsidiary of the Borrower to such Grantor, in each case as the same may be amended, restated, supplemented or otherwise modified from time to time.

"PRIMARY WEB PORTAL" is defined in Section 10.15.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Citibank as its base rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"PRO FORMA DIVIDEND AMOUNT" means, from and after any date of any Consumers Dividend Restriction, the sum of (a) the aggregate amount which Consumers could have paid to CMS Energy during the four calendar quarters immediately preceding such date had such Consumers Dividend Restriction been in effect during such quarters plus (b) cash dividends received by CMS Energy from any other Subsidiary during such quarters.

"PROJECT FINANCE DEBT" means Debt of any Person that is non-recourse to such Person (unless such Person is a special-purpose entity) and each Affiliate of such Person, other than with respect to the interest of the holder of such Debt in the collateral, if any, securing such Debt.

"PROJECT FINANCE EQUITY" means, at any date of determination, consolidated equity of the common, preference and preferred stockholders of CMS Energy and the Consolidated Subsidiaries relating to any obligor with respect to Project Finance Debt.

"PROMISSORY NOTE" means any promissory note of the Borrower payable to the order of a Lender (and, if requested, its registered assigns) issued pursuant to Section 3.01(c); and "PROMISSORY NOTES" means any or all of the foregoing.

"RECIPIENT" is defined in Section 10.08.

"REGISTER" is defined in Section 10.07(h).

"RELATED PARTIES" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"REQUIRED LENDERS" means, on any date of determination, Lenders that, collectively, on such date (i) hold more than 50% of the then aggregate unpaid principal amount of the Loans owing to Lenders and (ii) if no Loans are then outstanding, have Percentages in the aggregate of more than 50%. Any determination of those Lenders constituting the Required Lenders shall be made by the Administrative Agent and shall be conclusive and binding on all parties absent manifest error.

"RESTATEMENT" means the restatement of the financial statements of CMS Energy or its Subsidiaries for any fiscal quarter of 2001, as well as any adjustment of previously announced quarterly results, but only if made to reflect the restatement of such quarters.

"RESTATEMENT EVENT" means (i) the Restatement, (ii) any lawsuit or other action previously or hereafter brought against CMS Energy, any of its Subsidiaries or any of their Affiliates or any present or former officer or director of CMS Energy, any of its Subsidiaries or any of their Affiliates involving or arising out of the Restatement, and any settlement thereof, or other development with respect thereto, or (iii) the occurrence of any default or event of default under any indenture, instrument or other agreement or contract, or the exercise of any remedy in respect thereof, that arises directly or indirectly as a result of any of the matters described in any of the foregoing clauses (i) or (ii) or this clause (iii); provided, however, that, for purposes of the definition of "MATERIAL ADVERSE CHANGE", (a) the foregoing clause (ii) shall be inapplicable if such lawsuit or other action, settlement (in an amount in the aggregate together with all other settlements of such lawsuits or actions) or other development described in such clause (ii) could reasonably be expected, in each case, to result in liability to such Person in excess of $6,000,000 and (b) the foregoing clause (iii) shall be inapplicable if any such event described in such clause (iii) would constitute an Event of Default under Section 8.01(e).

"RESTRICTED SUBSIDIARY" means (i) the Borrowers and (ii) any other Subsidiary of CMS Energy (other than Consumers and its Subsidiaries) that, on a consolidated basis with any of its Subsidiaries as of any date of determination, accounts for more than 10% of the consolidated assets of CMS Energy and its Consolidated Subsidiaries.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc., or any successor thereto.

"SECURITIZED BONDS" means any nonrecourse bonds or similar asset-backed securities issued by a special-purpose subsidiary of Consumers which are payable solely from specialized charges authorized by the utility commission of the relevant state in connection with the recovery of regulatory assets or other qualified costs.

"6.75% SENIOR NOTES" means CMS Energy's 6.75% Senior Notes due January 2004, the aggregate outstanding principal amount of which was equal to $287,025,000 as of February 28, 2003.

"SOLVENT", when used with respect to any Person, means that at the time of determination:

(i) the fair market value of its assets is in excess of the total amount of its liabilities (including, without limitation, net contingent liabilities); and

(ii) it is then able and expects to be able to pay its debts (including, without limitation, contingent debts and other commitments) as they mature; and

(iii) it has capital sufficient to carry on its business as conducted and as proposed to be conducted.

For purposes of this definition, the amount of contingent liabilities at any time shall be computed as the amount that, in light of all the facts and circumstances known to such Person at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"STATUTORY RESERVE RATE" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Rate Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"SUBSIDIARY" means, with respect to any Person, any corporation or unincorporated entity of which more than 50% of the outstanding capital stock (or comparable interest) having ordinary voting power (irrespective of whether at the time capital stock (or comparable interest) of any other class or classes of such corporation or entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by said Person (whether directly or through one or more other Subsidiaries). In the case of an unincorporated entity, a Person shall be deemed to have more than 50% of interests having ordinary voting power only if such Person's vote in respect of such interests comprises more than 50% of the total voting power of all such interests in the unincorporated entity.

"SUPPORT OBLIGATIONS" means, for any Person, without duplication, any financial obligation, contingent or otherwise, of such Person guaranteeing or otherwise supporting any Debt or other obligation of any other Person in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect (including, but not limited to, letters of credit and surety bonds in connection therewith), (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (ii) to purchase property, securities or services for the purpose of assuring the owner of such Debt of the payment of such Debt, (iii) to maintain working capital, equity capital, available cash or other financial statement condition of the primary obligor so as to enable the primary obligor to pay such Debt, (iv) to provide equity capital under or in respect of equity subscription arrangements (to the extent that such obligation to provide equity capital does not otherwise constitute Debt), or (v) to perform, or arrange for the performance of, any non-monetary obligations or non-funded debt payment obligations of the primary obligor.

"TAX SHARING AGREEMENT" means the Amended and Restated Agreement for the Allocation of Income Tax Liabilities and Benefits, dated as of January 1, 1994, by and

among CMS Energy, each of the members of the Consolidated Group (as defined therein), and each of the corporations that become members of the Consolidated Group.

"TERMINATION DATE" means the earlier to occur of (i) April 30, 2004 and (ii) the date of termination or reduction in whole of the Commitments pursuant to Section 2.03 or 8.02.

"TRUSTEE" has the meaning assigned to that term in the Indenture.

"TYPE" has the meaning assigned to such term (i) in the definition of "Loan" when used in such context and (ii) in the definition of "Borrowing" when used in such context.

SECTION 1.02. COMPUTATION OF TIME PERIODS; CONSTRUCTION.

(a) Unless otherwise indicated, each reference in this Agreement to a specific time of day is a reference to New York City time. In the computation of periods of time under this Agreement, any period of a specified number of days or months shall be computed by including the first day or month occurring during such period and excluding the last such day or month. In the case of a period of time "from" a specified date "to" or "until" a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

(b) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes", and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (iv) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (v) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.03. ACCOUNTING TERMS. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 6.01(e) ("GAAP"), it being understood that such financial statements do not reflect the Restatement. If any changes in generally accepted accounting principles are hereafter required or permitted and are adopted by CMS Energy or any of its Subsidiaries, or CMS Energy or any of its Subsidiaries shall change its application of generally accepted accounting principles with respect to any Off-

Balance Sheet Liabilities, in each case, with the agreement of its independent certified public accountants, and such changes result in a change in the method of calculation of any of the financial covenants, tests, restrictions or standards herein or in the related definitions or terms used therein ("ACCOUNTING CHANGES"), the parties hereto agree, at the Borrower's request, to enter into negotiations, in good faith, in order to amend such provisions in a credit neutral manner so as to reflect equitably such changes with the desired result that the criteria for evaluating CMS Energy's and its Subsidiaries' financial condition shall be the same after such changes as if such changes had not been made; provided, however, until such provisions are amended in a manner reasonably satisfactory to the Agents, the Arranger and the Required Lenders, no Accounting Change shall be given effect in such calculations. In the event such amendment is entered into, all references in this Agreement to GAAP shall mean generally accepted accounting principles as of the date of such amendment. Notwithstanding the foregoing, all financial statements to be delivered by the Borrower pursuant to Section 7.03 shall be prepared in accordance with generally accepted accounting principles in effect at such time.

ARTICLE II
COMMITMENTS

SECTION 2.01. THE COMMITMENTS; CONVERSION TO TERM LOAN.

(a) Each Lender severally agrees, on the terms and conditions hereinafter set forth to make Loans to the Borrower during the period from the Closing Date until the Commitment Termination Date in an aggregate outstanding amount not to exceed on any day such Lender's Available Commitment (after giving effect to all Extensions of Credit to be made on such day and the application of the proceeds thereof). Within the limits hereinafter set forth, the Borrower may request Extensions of Credit hereunder, prepay Loans, and use the resulting increase in the Available Commitments for further Extensions of Credit in accordance with the terms hereof.

(b) At the Borrower's option prior to June 28, 2003 upon written notice (a "NOTICE TO CONVERT") to the Administrative Agent (who shall promptly notify each of the Lenders), or automatically on June 28, 2003 if not converted prior to such date (such date of conversion being the "CONVERSION DATE"), the then outstanding aggregate principal amount of the Loans hereunder shall be converted to a term loan. Any Notice to Convert shall expressly state the applicable Conversion Date and shall be irrevocable once given. The Borrower shall be deemed to have represented and warranted that the conditions contained in Section 5.03 have been satisfied as of the date of any Notice to Convert. Upon delivery of such Notice to Convert (or if no such Notice to Convert is given, upon the automatic Conversion Date described above), (i) the Borrower's option to borrow and reborrow Loans shall terminate, (ii) the aggregate of the Lenders' Commitments shall be reduced to zero, and (iii) the outstanding principal balance of all Loans hereunder shall be due and payable on the Termination Date. All references in this Agreement to Loans shall include such Loans as converted hereunder.

SECTION 2.02. FEES.

(a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee equal to the product of (i) the average daily amount of such

Lender's Available Commitment from the Closing Date, in the case of each Bank, and from the effective date specified in the Lender Assignment pursuant to which it became a Lender, in the case of each other Lender, until the Commitment Termination Date multiplied by (ii) the Commitment Fee Margin in effect as of the date upon which such fee is payable. Such fees shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing the first such date to occur following the Closing Date, and on the Commitment Termination Date.

(b) In addition to the fees provided for in subsection (a) above, the Borrower shall pay to the Administrative Agent, for the account of CUSA and the other Persons entitled thereto, such other fees as are provided for in that certain letter agreement, dated April 21, 2003 among the Borrower, CMS Energy, the Agents, the Arranger and the other parties thereto (the "FEE LETTER"), in the amounts and at the times specified therein.

SECTION 2.03. REDUCTION OF THE COMMITMENTS; MANDATORY PREPAYMENTS.

(a) The Borrower may (and shall provide notice thereof to the Administrative Agent not later than 10:00 a.m. (New York City time) on the date of termination or reduction, and the Administrative Agent shall promptly distribute copies thereof to the Lenders) terminate in whole or reduce ratably in part the unused portions of the Commitments; provided that any such partial reduction shall be in the aggregate amount of $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) Upon the occurrence of a Change of Control the Commitments shall be reduced to zero and the principal amount outstanding hereunder, all interest thereon and all other amounts payable under this Agreement and the other Loan Documents shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower.

(c) The Borrower shall make the following mandatory prepayments:

(i) Promptly and in any event within 3 Business Days after CMS Energy's or any of its Subsidiaries' receipt of any Net Proceeds from the sale or issuance of equity securities, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to one hundred percent (100%) of such Net Proceeds;

(ii) Promptly and in any event within 3 Business Days after CMS Energy's or any of its Subsidiaries' receipt of any Net Proceeds from the incurrence of Debt For Borrowed Money, other than (a) Debt incurred by Consumers or any Subsidiary of Consumers and (b) Debt giving rise to a Designated Prepayment under clause (iv) below, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to one hundred percent (100%) of such Net Proceeds; and

(iii) Promptly and in any event within 3 Business Days after CMS Energy's or any of its Subsidiaries' receipt of any Net Proceeds from the sale, assignment or other disposition of (but not the lease or license of) any property, including, without limitation, any sale of capital stock or other equity interest in any of CMS Energy's direct or indirect Subsidiaries, in an amount, when combined with the Net Proceeds of all other such

transactions since the Closing Date that have not been applied to the prepayment of the Obligations in accordance with this clause (iii), in excess of $10,000,000, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to one hundred percent (100%) of such aggregate Net Proceeds, provided that such amount shall exclude Net Proceeds arising from (A) any sale, assignment or other disposition of property by Consumers or any Subsidiary of Consumers (other than the capital stock of Consumers), (B) the sale of all or substantially all of the electrical power book of MS&T and (C) any sale or other disposition by CMS Energy or any of its Subsidiaries in the ordinary course of business consistent with past practice, provided, further that any Designated Prepayment under this clause (iii) arising from the sale or disposition of any Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement shall be applied first to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such Designated Prepayment.

(iv) Promptly, and in any event within 3 Business Days after the reissuance, remarketing, refinancing or repurchase of each of CMS Energy's reset put securities due July 1, 2003 and CMS Energy's general term notes due in 2003 other than with cash collateral required to be deposited into the Bond Cash Collateral Account pursuant to Section 5.01(c)(ii), the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to 100% of the principal amount of the refinanced, reissued, remarketed or repurchased obligations.

Nothing in this Section 2.03(c) shall be construed to constitute the Lenders' consent to any transaction referenced in clauses (i), (ii), (iii) and (iv) above which is not expressly permitted by Article VII. The Borrower shall give the Administrative Agent prior written notice or telephonic notice promptly confirmed in writing (each of which the Administrative Agent shall promptly transmit to each Lender), when a Designated Prepayment will be made (which date of prepayment shall be no later than the date on which such Designated Prepayment becomes due and payable pursuant to this Section 2.03(c)).

If any Designated Prepayment shall be insufficient to pay in full all of the Combined Obligations then due and payable, then such Designated Prepayment shall be applied to the payment ratably (without priority of any one over any other) of the Combined Obligations in proportion to the unpaid principal amount of the Loans hereunder and the "Loans" under (and as defined in) the Enterprises 2003-A Credit Agreement. Subject to the preceding sentence, (i) Designated Prepayments shall be allocated and applied to the outstanding Loans, and shall permanently reduce on a ratable basis the Commitment of each Lender, and (ii) all Designated Prepayments shall be applied first to repay outstanding ABR Loans and then to repay outstanding Eurodollar Rate Loans with those Eurodollar Rate Loans which have earlier expiring Interest Periods being repaid prior to those which have later expiring Interest Periods.

SECTION 2.04. COMPUTATIONS OF OUTSTANDINGS. Whenever reference is made in this Agreement to the principal amount outstanding on any date under this Agreement, such reference shall refer to the aggregate principal amount of all Loans outstanding on such date under this

Agreement after giving effect to all Extensions of Credit to be made on such date and the application of the proceeds thereof. At no time shall the principal amount outstanding under this Agreement exceed the aggregate amount of the Commitments hereunder. References to the unused portion of the Commitments under this Agreement shall refer to the excess, if any, of the Commitments hereunder over the principal amount outstanding hereunder; and references to the unused portion of any Lender's Commitment under this Agreement shall refer to such Lender's Percentage of the unused Commitments hereunder.

ARTICLE III
LOANS

SECTION 3.01. LOANS.

(a) The Borrower may request a Borrowing (other than a Conversion) by delivering a notice (a "NOTICE OF BORROWING") to the Administrative Agent no later than 12:00 noon (New York City time) on the third Business Day or, in the case of ABR Loans, on the first Business Day, prior to the date of the proposed Borrowing. The Administrative Agent shall give each Lender prompt notice of each Notice of Borrowing. Each Notice of Borrowing shall be in substantially the form of Exhibit A and shall specify the requested (i) date of such Borrowing, (ii) Type of Loans to be made in connection with such Borrowing, (iii) Interest Period, if any, for such Loans and (iv) amount of such Borrowing. Each proposed Borrowing shall conform to the requirements of Sections 3.03 and 3.04.

(b) Each Lender shall, before 12:00 noon (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's offices at 2 Penns Way, Suite 200, New Castle, DE 19270, in same day funds, such Lender's Percentage of such Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article V, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address. Notwithstanding the foregoing, unless the Administrative Agent shall have received notice from a Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's Percentage of such Borrowing, the Administrative Agent may assume that such Lender has made such Percentage available to the Administrative Agent on the date of such Borrowing in accordance with the first sentence of this subsection (b), and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount.

(c) Any Lender may request that Loans made by it be evidenced by a Promissory Note. In such event, the Borrower shall prepare, execute and deliver to such Lender a Promissory Note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such Promissory Note and interest thereon shall at all times (including after assignment pursuant to Section 10.07) be represented by one or more Promissory Notes in such form payable to the order of the payee named therein (or, if such Promissory Note is a registered note, to such payee and its registered assigns).

SECTION 3.02. CONVERSION OF LOANS. The Borrower may from time to time Convert any Loan (or portion thereof) of any Type to one or more Loans of the same or any other Type by delivering a notice of such Conversion (a "NOTICE OF CONVERSION") to the Administrative Agent no later than 12:00 noon (New York City time) on (x) the third Business Day prior to the date of any proposed Conversion into a Eurodollar Rate Loan and (y) the first Business Day prior to the date of any proposed Conversion into an ABR Loan. The Administrative Agent shall give each Lender prompt notice of each Notice of Conversion. Each Notice of Conversion shall be in substantially the form of Exhibit B and shall specify (i) the requested date of such Conversion, (ii) the Type of, and Interest Period, if any, applicable to, the Loans (or portions thereof) proposed to be Converted, (iii) the requested Type of Loans to which such Loans (or portions thereof) are proposed to be Converted, (iv) the requested initial Interest Period, if any, to be applicable to the Loans resulting from such Conversion and (v) the aggregate amount of Loans (or portions thereof) proposed to be Converted. Each proposed Conversion shall be subject to the provisions of Sections 3.03 and 3.04.

SECTION 3.03. INTEREST PERIODS. The period between the date of each Eurodollar Rate Loan and the date of payment in full of such Loan shall be divided into successive periods of months ("INTEREST PERIODS") for purposes of computing interest applicable thereto. The initial Interest Period for each such Loan shall begin on the day such Loan is made, and each subsequent Interest Period shall begin on the last day of the immediately preceding Interest Period for such Loan. The duration of each Interest Period shall be 1, 2, 3, or 6 months, as the Borrower may, in accordance with Section 3.01 or 3.02, select; provided, however, that:

(i) the Borrower may not select any Interest Period for a Eurodollar Rate Loan that ends after the Termination Date;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(iii) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period.

SECTION 3.04. OTHER TERMS RELATING TO THE MAKING AND CONVERSION OF LOANS.

(a) Notwithstanding anything in Section 3.01 or 3.02 to the contrary:

(i) each Borrowing shall be in an aggregate amount not less than $5,000,000, or an integral multiple of $1,000,000 in excess thereof (or such lesser amount as shall be equal to the total amount of the Available Commitments on such date, after giving effect to all other Extensions of Credit to be made on such date), and shall consist of Loans of the same Type, having the same Interest Period and made or Converted on the same day by the Lenders ratably according to their respective Percentages;

(ii) the Borrower may request that more than one Borrowing be made on the same day;

(iii) at no time shall the sum of all Borrowings comprising Eurodollar Rate Loans outstanding hereunder be greater than ten (10);

(iv) no Eurodollar Rate Loan may be Converted on a date other than the last day of the Interest Period applicable to such Loan unless the corresponding amounts, if any, payable to the Lenders pursuant to Section 4.04(b) are paid contemporaneously with such Conversion;

(v) if the Borrower shall either fail to give a timely Notice of Conversion pursuant to Section 3.02 in respect of any Loans or fail, in any Notice of Conversion that has been timely given, to select the duration of any Interest Period for Loans to be Converted into Eurodollar Rate Loans in accordance with Section 3.03, such Loans shall, on the last day of the then existing Interest Period therefor, automatically Convert into, or remain as, as the case may be, ABR Loans; and

(vi) if, on the date of any proposed Conversion, any Event of Default or Default shall have occurred and be continuing, all Loans then outstanding shall, on such date, automatically Convert into, or remain as, as the case may be, ABR Loans.

(b) If any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or that any central bank or other governmental authority asserts that it is unlawful, for such Lender or its Applicable Lending Office to perform its obligations hereunder to make, or to fund or maintain, Eurodollar Rate Loans hereunder, (i) the obligation of such Lender to make, or to Convert Loans into, Eurodollar Rate Loans for such Borrowing or any subsequent Borrowing from such Lender shall be forthwith suspended until the earlier to occur of the date upon which (A) such Lender shall cease to be a party hereto and (B) it is no longer unlawful for such Lender to make, fund or maintain Eurodollar Rate Loans, and (ii) if the maintenance of Eurodollar Rate Loans then outstanding through the last day of the Interest Period therefor would cause such Lender to be in violation of such law, regulation or assertion, the Borrower shall either prepay or Convert all Eurodollar Rate Loans from such Lender within five days after such notice. Promptly upon becoming aware that the circumstances that caused such Lender to deliver such notice no longer exist, such Lender shall deliver notice thereof to the Administrative Agent (but the failure to do so shall impose no liability upon such Lender). Promptly upon receipt of such notice from such Lender (or upon such Lender's assigning all of its Commitment, Loans, participation and other rights and obligations hereunder pursuant to Section 10.07), the Administrative Agent shall deliver notice thereof to the Borrower and the Lenders and such suspension shall terminate.

(c) If the Required Lenders shall, at least one Business Day before the date of any requested Borrowing, notify the Administrative Agent that the Adjusted LIBO Rate for Eurodollar Rate Loans to be made in connection with such Borrowing will not adequately reflect the cost to such Required Lenders of making, funding or maintaining their respective Eurodollar Rate Loans for such Borrowing, or that they are unable to acquire funding in a reasonable manner so as to make available Eurodollar Rate Loans in the amount and for the Interest Period

requested, or if the Administrative Agent shall determine that adequate and reasonable means do not exist to be able to determine the Adjusted LIBO Rate, then the right of the Borrower to select Eurodollar Rate Loans for such Borrowing and any subsequent Borrowing shall be suspended until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances causing such suspension no longer exist, and each Loan to be made or Converted in connection with such Borrowing shall be an ABR Loan.

(d) If any Lender shall have delivered a notice to the Administrative Agent described in Section 3.04(b), and if and so long as such Lender shall not have withdrawn such notice in accordance with said Section 3.04(b), the Borrower or the Administrative Agent may demand that such Lender assign in accordance with Section 10.07, to a Lender or, if not then a Lender hereunder, one or more of the Eligible Banks (each a "REPLACEMENT LENDER"), all (but not less than all) of such Lender's Commitment, Loans, participation and other rights and obligations hereunder; provided that any such demand by the Borrower during the continuance of an Event of Default or Default shall be ineffective without the consent of the Required Lenders. If, within 30 days following any such demand by the Administrative Agent or the Borrower, any such Replacement Lender so designated shall fail to consummate such assignment on terms reasonably satisfactory to such Lender, or the Borrower and the Administrative Agent shall have failed to designate any such Replacement Lender, then such demand by the Borrower or the Administrative Agent shall become ineffective, it being understood for purposes of this provision that such assignment shall be conclusively deemed to be on terms reasonably satisfactory to such Lender, and such Lender shall be compelled to consummate such assignment forthwith, if such Replacement Lender (i) shall agree to such assignment in substantially the form of the Lender Assignment attached hereto as Exhibit F and (ii) shall tender payment to such Lender in an amount equal to the full outstanding dollar amount accrued in favor of such Lender hereunder (as computed in accordance with the records of the Administrative Agent), including, without limitation, all accrued interest and fees and, to the extent not paid by the Borrower, any payments required pursuant to Section 4.04(b).

(e) Each Notice of Borrowing and Notice of Conversion shall be irrevocable and binding on the Borrower. In the case of any Borrowing which the related Notice of Borrowing or Notice of Conversion specifies is to be comprised of Eurodollar Rate Loans, the Borrower shall indemnify each Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill, on or before the date specified in such Notice of Borrowing or Notice of Conversion for such Borrowing, the applicable conditions (if any) set forth in this Article III (other than failure pursuant to the provisions of Section 3.04(b) or (c) hereof) or in Article V, including any such loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Loan to be made by such Lender when such Loan, as a result of such failure, is not made on such date.

SECTION 3.05. REPAYMENT OF LOANS; INTEREST

(a) Principal. The Borrower shall repay the outstanding principal amount of the Loans on the Termination Date (or such earlier date as may be required pursuant to Section 2.03).

(b) Interest. The Borrower shall pay interest on the unpaid principal amount of each Loan owing to each Lender from the date of such Loan until such principal amount shall be paid in full, at the Applicable Rate for such Loan (except as otherwise provided in this subsection (b)), payable as follows:

(i) ABR Loans. If such Loan is an ABR Loan, interest thereon shall be payable quarterly in arrears on the last day of each March, June, September and December, on the date of any Conversion of such ABR Loan and on the date such ABR Loan shall become due and payable or shall otherwise be paid in full; provided that any amount of principal that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the Default Rate.

(ii) Eurodollar Rate Loans. If such Loan is a Eurodollar Rate Loan, interest thereon shall be payable on the last day of such Interest Period and, if the Interest Period for such Loan has a duration of more than three months, on that day of each third month during such Interest Period that corresponds to the first day of such Interest Period (or, if any such month does not have a corresponding day, then on the last day of such month); provided that any amount of principal that is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the Default Rate.

ARTICLE IV
PAYMENTS, COMPUTATIONS AND YIELD PROTECTION

SECTION 4.01. PAYMENTS AND COMPUTATIONS.

(a) The Borrower shall make each payment hereunder and under the other Loan Documents not later than 2:00 p.m. (New York City time) on the day when due in Dollars to the Administrative Agent at its offices at 2 Penns Way, Suite 200, New Castle, DE 19270, in same day funds; any payment received after 3:00 p.m. (New York City time) shall be deemed to have been received at the start of business on the next succeeding Business Day, unless the Administrative Agent shall have received from, or on behalf of, the Borrower a Federal Reserve reference number with respect to such payment before 4:00 p.m. (New York City time). The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable to the Lenders, to the respective Lenders to which the same are payable, for the account of their respective Applicable Lending Offices, in each case to be applied in accordance with the terms of this Agreement. If and to the extent that any distribution of any payment from the Borrower required to be made to any Lender pursuant to the preceding sentence shall not be made in full by the Administrative Agent on the date such payment was received by the Administrative Agent, the Administrative Agent shall pay to such Lender, upon demand, interest on the unpaid amount of such distribution, at a rate per annum equal to the Federal Funds Effective Rate, from the date of such payment by the Borrower to the Administrative Agent to the date of payment in full by the Administrative Agent to such Lender of such unpaid amount. Upon the Administrative Agent's acceptance of a Lender

Assignment and recording of the information contained therein in the Register pursuant to Section 10.07, from and after the effective date specified in such Lender Assignment, the Administrative Agent shall make all payments hereunder and under any Promissory Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Lender Assignment shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes the Administrative Agent and each Lender, if and to the extent payment owed to the Administrative Agent or such Lender, as the case may be, is not made when due hereunder (or, in the case of a Lender, under any Promissory Note held by such Lender), to charge from time to time against any or all of the Borrower's accounts with the Administrative Agent or such Lender, as the case may be, any amount so due.

(c) All computations of interest based on the Alternate Base Rate (when the Alternate Base Rate is based on the Prime Rate) shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be. All other computations of interest and fees hereunder (including computations of interest based on the Adjusted LIBO Rate and the Federal Funds Effective Rate) shall be made by the Administrative Agent on the basis of a year of 360 days. In each such case, such computation shall be made for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each such determination by the Administrative Agent or a Lender shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under any other Loan Document shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest and fees hereunder; provided, however, that if such extension would cause payment of interest on or principal of Eurodollar Rate Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day and such reduction of time shall in such case be included in the computation of payment of interest hereunder.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date, and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, such Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender, together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Effective Rate.

(f) Any amount payable by the Borrower hereunder or under any of the Promissory Notes that is not paid when due (whether at stated maturity, by acceleration or

otherwise) shall (to the fullest extent permitted by law) bear interest, from the date when due until paid in full, at a rate per annum equal at all times to the Default Rate, payable on demand.

(g) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied, subject to Section 4.07, (i) first, toward payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, toward payment of principal then due hereunder, ratably among the parties entitled thereto.

SECTION 4.02. INTEREST RATE DETERMINATION. The Administrative Agent shall give prompt notice to the Borrower and the Lenders of the applicable interest rate determined by the Administrative Agent for purposes of Section 3.05(b)(i) or (ii).

SECTION 4.03. PREPAYMENTS. The Borrower shall have no right to prepay any principal amount of any Loans other than as provided in subsections (a) and (b) below.

(a) The Borrower may (and shall provide notice thereof to the Administrative Agent not later than 10:00 a.m. (New York City time) on the date of prepayment, and the Administrative Agent shall promptly distribute copies thereof to the Lenders), and if such notice is given, the Borrower shall, prepay the outstanding principal amounts of Loans made as part of the same Borrowing, in whole or ratably in part, together with (i) accrued interest to the date of such prepayment on the principal amount prepaid and (ii) in the case of Eurodollar Rate Loans, any amount payable to the Lenders pursuant to Section 4.04(b); provided, however, that each partial prepayment shall be in an aggregate principal amount of not less than $5,000,000 or an integral multiple of $1,000,000 in excess thereof.

(b) On the date of any termination or optional or mandatory reduction of the Commitments pursuant to Section 2.03, the Borrower shall pay or prepay the principal outstanding on the Loans in full in cash in an amount equal to the excess of (i) the sum of the aggregate principal amount of the Loans outstanding (after giving effect to all Extensions of Credit to be made on such date and the application of the proceeds thereof) over (ii) the aggregate amount of the Commitments (following such termination or reduction, if any), together with (x) accrued interest to the date of such prepayment on the principal amount repaid and (y) in the case of prepayments of Eurodollar Rate Loans, any amount payable to the Lenders pursuant to Section 4.04(b). Any payments and prepayments required by this subsection (b) shall be applied to outstanding ABR Loans up to the full amount thereof before they are applied to outstanding Eurodollar Rate Loans.

SECTION 4.04. YIELD PROTECTION.

(a) Increased Costs. If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation after the Closing Date, or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law) issued or made after the Closing Date, there shall be reasonably incurred any increase in the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans, then the Borrower shall from time to time, upon demand by

such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost and giving a reasonable explanation thereof, submitted to the Borrower and the Administrative Agent by such Lender shall constitute such demand and shall be conclusive and binding for all purposes, absent manifest error.

(b) Breakage. If, due to any prepayment pursuant to Section 4.03, an acceleration of maturity of the Loans pursuant to Section 8.02, or any other reason, any Lender receives payments of principal of any Eurodollar Rate Loan other than on the last day of the Interest Period relating to such Loan or if the Borrower shall Convert any Eurodollar Rate Loans on any day other than the last day of the Interest Period therefor, or if the Borrower shall fail to prepay a Eurodollar Rate Loan on the date specified in a notice of prepayment, the Borrower shall, promptly after demand by such Lender (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender any amounts required to compensate such Lender for additional losses, costs, or expenses (including anticipated lost profits) that such Lender may reasonably incur as a result of such payment, Conversion or failure to prepay, including any loss, cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund or maintain such Loan. For purposes of this subsection (b), a certificate setting forth the amount of such additional losses, costs, or expenses and giving a reasonable explanation thereof, submitted to the Borrower and the Administrative Agent by such Lender, shall constitute such demand and shall be conclusive and binding for all purposes, absent manifest error.

(c) Capital. If any Lender determines that (i) compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender, whether directly, or indirectly as a result of commitments of any Person controlling such Lender (but without duplication), and (ii) the amount of such capital is increased by or based upon (A) the existence of such Lender's commitment to lend hereunder, or (B) the issuance or maintenance of any Loan and (C) other similar such commitments, then, upon demand by such Lender, the Borrower shall immediately pay to the Administrative Agent for the account of such Lender from time to time as specified by such Lender additional amounts sufficient to compensate such Lender in the light of such circumstances, to the extent that such Lender reasonably determines such increase in capital to be allocable to the transactions contemplated hereby. A certificate as to such amounts and giving a reasonable explanation thereof (to the extent permitted by law), submitted to the Borrower and the Administrative Agent by such Lender, shall be conclusive and binding for all purposes, absent manifest error.

(d) Notices. Each Lender hereby agrees to use its best efforts to notify the Borrower of the occurrence of any event referred to in subsection (a), (b) or (c) of this Section 4.04 promptly after becoming aware of the occurrence thereof. The failure of any Lender to provide such notice or to make demand for payment under said subsection shall not constitute a waiver of such Lender's rights hereunder; provided that, notwithstanding any provision to the contrary contained in this Section 4.04, the Borrower shall not be required to reimburse any Lender for any amounts or costs incurred under subsection (a), (b) or (c) above, more than 90

days prior to the date that such Lender notifies the Borrower in writing thereof, in each case unless, and to the extent that, any such amounts or costs so incurred shall relate to the retroactive application of any event notified to the Borrower which entitles such Lender to such compensation. If any Lender shall subsequently determine that any amount demanded and collected under this Section 4.04 was done so in error, such Lender will promptly return such amount to the Borrower.

(e) Survival of Obligations. Subject to subsection (d) above, the Borrower's obligations under this Section 4.04 shall survive the repayment of all other amounts owing to the Lenders and the Agents under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Borrower under this Section 4.04 are unenforceable for any reason, the Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION 4.05. SHARING OF PAYMENTS, ETC. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the Loans owing to it (other than pursuant to Section 4.04 or Section 4.06) in excess of its ratable share of payments obtained by all the Lenders on account of the Loans of such Lenders, such Lender shall forthwith purchase from the other Lenders such participation in the Loans owing to them as shall be necessary to cause such purchasing Lender to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender, such purchase from each Lender shall be rescinded and such Lender shall repay to the purchasing Lender the purchase price to the extent of such recovery together with an amount equal to such Lender's ratable share (according to the proportion of (i) the amount of such Lender's required repayment to (ii) the total amount so recovered from the purchasing Lender) of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 4.05 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation. Notwithstanding the foregoing, if any Lender shall obtain any such excess payment involuntarily, such Lender may, in lieu of purchasing participations from the other Lenders in accordance with this Section 4.05, on the date of receipt of such excess payment, return such excess payment to the Administrative Agent for distribution in accordance with Section 4.01(a).

SECTION 4.06. TAXES.

(a) All payments by the Borrower hereunder and under the other Loan Documents shall be made in accordance with Section 4.01, free and clear of and without deduction for all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender and each Agent, taxes imposed on its overall net income, and franchise taxes imposed on it by the jurisdiction under the laws of which such Lender or Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Lender, taxes imposed on its overall net income, and franchise taxes imposed on it by the jurisdiction of such Lender's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions,

charges, withholdings and liabilities being hereinafter referred to as "TAXES"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any other Loan Document to any Lender or Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 4.06) such Lender or Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies that arise from any payment made hereunder or under any other Loan Document or from the execution, delivery or registration of, or otherwise with respect to, this Agreement or any other Loan Document (hereinafter referred to as "OTHER TAXES").

(c) The Borrower will indemnify each Lender and Agent for the full amount of Taxes and Other Taxes (including any Taxes and any Other Taxes imposed by any jurisdiction on amounts payable under this Section 4.06) paid by such Lender or Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within thirty (30) days from the date such Lender or Agent (as the case may be) makes written demand therefor; provided, that such Lender or Agent (as the case may be) shall not be entitled to demand payment under this Section 4.06 for an amount if such demand is not made within one year following the date upon which such Lender or Agent (as the case may be) shall have been required to pay such amount.

(d) Within thirty (30) days after the date of any payment of Taxes, the Borrower will furnish to the Administrative Agent, at its address referred to in Section 10.02, the original or a certified copy of a receipt evidencing payment thereof.

(e) Each Bank represents and warrants that either (i) it is organized under the laws of a jurisdiction within the United States or (ii) it has delivered to the Borrower or the Administrative Agent duly completed copies of such form or forms prescribed by the United States Internal Revenue Service indicating that such Bank is entitled to receive payments without deduction or withholding of any United States federal income taxes, as permitted by the Internal Revenue Code of 1986, as amended. Each other Lender agrees that, on or prior to the date upon which it shall become a party hereto, and upon the reasonable request from time to time of the Borrower or the Administrative Agent, such Lender will deliver to the Borrower and the Administrative Agent (to the extent that it is not prohibited by law from doing so) either (A) a statement that it is organized under the laws of a jurisdiction within the United States or (B) duly completed copies of such form or forms as may from time to time be prescribed by the United States Internal Revenue Service, indicating that such Lender is entitled to receive payments without deduction or withholding of any United States federal income taxes, as permitted by the Internal Revenue Code of 1986, as amended. Each Bank that has delivered, and each other Lender that hereafter delivers, to the Borrower and the Administrative Agent the form or forms referred to in the two preceding sentences further undertakes to deliver to the Borrower and the

Administrative Agent, to the extent that it is not prohibited by law from doing so, further copies of such form or forms, or successor applicable form or forms, as the case may be, as and when any previous form filed by it hereunder shall expire or shall become incomplete or inaccurate in any respect. Each Lender represents and warrants that each such form supplied by it to the Administrative Agent and the Borrower pursuant to this subsection (e), and not superseded by another form supplied by it, is or will be, as the case may be, complete and accurate.

SECTION 4.07. APPORTIONMENT OF PAYMENTS.

(a) Subject to the provisions of Section 2.03 and Section 4.07(b), all payments of principal and interest in respect of outstanding Loans, all payments of fees and all other payments in respect of any other Obligations hereunder, shall be allocated among such of the Lenders as are entitled thereto, ratably or otherwise as expressly provided herein. Except as provided in Section 4.07(b) with respect to payments and proceeds of Collateral received after the occurrence of an Event of Default, all such payments and any other amounts received by the Administrative Agent from or for the benefit of the Borrower shall be applied

(i) first, to pay principal of and interest on any portion of the Loans which the Administrative Agent may have advanced on behalf of any Lender other than CUSA for which the Administrative Agent has not then been reimbursed by such Lender or the Borrower,

(ii) second, to pay interest on the Loans and then the principal of the Loans, in each case, then due and payable (in the order described hereinbelow),

(iii) third, to pay all other Obligations of any Loan Party under any Loan Document then due and payable, ratably, and

(iv) fourth, as the Borrower so designates.

All such principal and interest payments in respect of the Loans shall be applied first to repay outstanding ABR Loans and then to repay outstanding Eurodollar Rate Loans with those Eurodollar Rate Loans which have earlier expiring Interest Periods being repaid prior to those which have later expiring Interest Periods

(b) During the continuance of an Event of Default and after declaration thereof by written notice from the Administrative Agent to the Borrower, the Administrative Agent shall apply all payments in respect of any Loans, and the Collateral Agent shall deliver all proceeds of Collateral to the Administrative Agent for application, in the following order:

(i) first, to pay principal of and interest on any portion of the Loans which the Administrative Agent may have advanced on behalf of any Lender other than CUSA for which the Administrative Agent has not then been reimbursed by such Lender or the Borrower;

(ii) second, to pay any fees, expense reimbursements or indemnities then due to the Agents under any of the Loan Documents;

(iii) third, to pay ratably any fees, expense reimbursements or indemnities then due to the Lenders under any of the Loan Documents;

(iv) fourth, to pay interest due in respect of the Loans ratably in accordance with the Lenders' respective Percentages;

(v) fifth, to the ratable payment or prepayment of principal outstanding on all Loans;

(vi) sixth, to the ratable payment of all other Obligations of the Loan Parties then outstanding under the Loan Documents.

Notwithstanding the foregoing, the Collateral Agent shall apply the proceeds of any voluntary sale of Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the noncompliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds. If proceeds of Collateral shall be insufficient to pay in full all of the Combined Obligations then due and payable, then such proceeds of Collateral shall be applied to the payment ratably (without priority of any one over any other) of the Combined Obligations in proportion to the unpaid principal amount of the Loans hereunder and the "Loans" under (and as defined in) the Enterprises 2003-A Credit Agreement. The order of priority set forth in this Section 4.07(b) and the related provisions of this Agreement are set forth solely to determine the rights and priorities of the Agents and the Lenders as among themselves.

SECTION 4.08. Proceeds of Collateral. During the continuance of an Event of Default and after declaration thereof by written notice from the Administrative Agent to the Borrower, the Borrower shall cause all proceeds of Collateral to be deposited pursuant to arrangements for the collection of such amounts established by the Borrower, the Administrative Agent (or the Collateral Agent, as applicable) and the "Administrative Agent" (or the "Collateral Agent", as applicable) under (and as defined in) the Enterprises 2003-A Credit Agreement for application pursuant to Section 4.07 (other than proceeds in respect of Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds, which proceeds shall then be applied to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement). All collections of proceeds of Collateral which are received directly by the Borrower or any Subsidiary of the Borrower shall be deemed to have been received by the Borrower or such Subsidiary of the Borrower as the Collateral Agent's trustee and, during the continuance of an Event of Default and after declaration thereof by written notice from the Administrative Agent to the Borrower, upon the Borrower's or such Subsidiary's receipt thereof, the Borrower shall immediately transfer or cause to be transferred all such amounts to the Administrative Agent and to the "Administrative Agent" under (and as defined in) the Enterprises 2003-A Credit Agreement, as applicable, ratably in proportion to the unpaid principal amount of the Loans hereunder and the "Loans" under (and as defined in) the Enterprises 2003-A Credit Agreement for application

pursuant to Section 4.07 (other than proceeds in respect of Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds, which proceeds shall then be applied to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement). All other proceeds of Collateral received by the Collateral Agent and/or the Administrative Agent, whether through direct payment or otherwise, will be deemed received by such Agent, will be the sole property of such Agent, and will be held by such Agent, for the benefit of the Lenders and the "Lenders" under (and as defined in) the Enterprises 2003-A Credit Agreement for application pursuant to Section 4.07 (other than proceeds in respect of Collateral that is subject to a Lien pursuant to the AIG Pledge Agreement if an "Event of Default" under (and as defined in) the AIG Pledge Agreement arising from the non-compliance with the terms of Section 4.5 of the AIG Pledge Agreement has occurred and is continuing, or would result from the transaction giving rise to such proceeds, which proceeds shall then be applied to prepay the obligations under (and in accordance with the terms of) the CMS Energy Credit Agreement).

ARTICLE V
CONDITIONS PRECEDENT

SECTION 5.01. CONDITIONS PRECEDENT TO THE EFFECTIVENESS OF THIS AGREEMENT. The effectiveness of this Agreement is subject to the fulfillment of the following conditions precedent:

(a) The Administrative Agent shall have received, on or before the Closing Date, the following, in form and substance satisfactory to each Lender (except where otherwise specified below) and (except for any Promissory Notes) in sufficient copies for each Lender:

(i) Certified copies of the resolutions of the Board of Directors, or of the Executive Committee of the Board of Directors (or persons performing similar functions), of the Borrower, each Guarantor and each other Grantor (each a "LOAN PARTY") authorizing each such Loan Party to enter into each Loan Document to which it is, or is to be, a party, and of all documents evidencing other necessary corporate or other action and Governmental Approvals, if any, with respect to each such Loan Document.

(ii) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names, true signatures and incumbency of (A) the officers of such Loan Party authorized to sign the Loan Documents to which it is, or is to be, a party, and the other documents to be delivered hereunder and thereunder and (B) the representatives of such Loan Party authorized to sign notices to be provided under the Loan Documents to which it is, or is to be, a party, which representatives shall be acceptable to the Administrative Agent.

(iii) Copies of the Certificate of Incorporation and by-laws (or comparable constitutive documents) of each Loan Party, together with all amendments thereto, certified by the Secretary or an Assistant Secretary of each such Loan Party.

(iv) Good Standing Certificates (or other similar certificate) for each of the Loan Parties, issued by the Secretary of State of the jurisdiction of organization of each such Loan Party as of a recent date.

(v) The Guaranty, duly executed by each Guarantor.

(vi) The Pledge Agreement described in clause (i) of the definition of "Pledge Agreements", duly executed by CMS Energy.

(vii) A certified copy of Schedule I hereto, in form and substance reasonably satisfactory to the Administrative Agent setting forth:

(A) all Project Finance Debt of the Consolidated Subsidiaries, together with the Borrower's Ownership Interest in each such Consolidated Subsidiary, as of February 28, 2003; and

(B) debt (as such term is construed in accordance with GAAP) of the Loan Parties as of February 28, 2003.

(viii) Favorable opinions of:

(A) Belinda Foxworth, Esq., Deputy General Counsel of the Borrower and counsel for the other Loan Parties, in substantially the form of Exhibit C and as to such other matters as the Required Lenders, through the Administrative Agent, may reasonably request; and

(B) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Loan Parties in substantially the form of Exhibit D and as to such other matters as the Administrative Agent may reasonably request.

(b) The following statements shall be true and the Administrative Agent shall have received a certificate of a duly authorized officer of the Borrower, dated the Closing Date and in sufficient copies for each Lender stating that:

(i) the representations and warranties set forth in Section 6.01 of this Agreement are true and correct on and as of the Closing Date as though made on and as of such date,

(ii) no event has occurred and is continuing that constitutes a Default or an Event of Default, and

(iii) all Governmental Approvals necessary in connection with the Loan Documents and the transactions contemplated thereby have been obtained and are in full force and effect, and all third party approvals necessary or advisable in connection with the Loan Documents and the transactions contemplated thereby have been obtained and are in full force and effect, other than filings necessary to create or perfect security interests in the Collateral or as may be required under applicable energy, antitrust or

securities laws in connection with the exercise of remedies with respect to certain Collateral.

(c) The Borrower shall have paid all fees under or referenced in Section 2.02 and all expenses referenced in Section 10.04(a), in each case, to the extent then due and payable.

(d) The Administrative Agent shall have received evidence satisfactory to it that:

(i) all financing statements relating to the Collateral have been completed for filing or recording and/or filed, and all certificates representing capital stock or other ownership interests included in the Collateral have been delivered to the Collateral Agent (with duly executed stock powers); and

(ii) the Borrower has deposited cash into a cash collateral account (the "BOND CASH COLLATERAL ACCOUNT") in respect of which the Collateral Agent shall have a first priority security interest, which cash collateral shall be used as further described in Section 7.01(n).

SECTION 5.02. CONDITIONS PRECEDENT TO EACH EXTENSION OF CREDIT. The obligation of each Lender to make an Extension of Credit (including the initial Extension of Credit, but excluding the Conversion of a Eurodollar Rate Loan into an ABR Loan) shall be subject to the further conditions precedent that, on the date of such Extension of Credit and after giving effect thereto:

(a) The following statements shall be true (and each of the giving of the applicable notice or request with respect thereto and the making of such Extension of Credit without prior correction by the Borrower shall (to the extent that such correction has been previously consented to by the Lenders) constitute a representation and warranty by the Borrower that, on the date of such Extension of Credit, such statements are true):

(i) the representations and warranties contained in Section 6.01 of this Agreement (other than those contained in subsections (e)(iii) and (f) thereof) are correct on and as of the date of such Extension of Credit, before and after giving effect to such Extension of Credit and to the application of the proceeds thereof, as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such Extension of Credit or the application of the proceeds thereof.

(b) The Administrative Agent shall have received such other approvals, opinions and documents as any Lender, through the Administrative Agent, may reasonably request as to the legality, validity, binding effect or enforceability of the Loan Documents or the business, assets, property, financial condition, results of operations or prospects of CMS Energy and its Consolidated Subsidiaries.

SECTION 5.03. CONDITIONS PRECEDENT TO CERTAIN EXTENSIONS OF CREDIT. The obligation of each Lender to make an Extension of Credit (including the initial Extension of Credit) that

would (after giving effect to all Extensions of Credit on such date and the application of proceeds thereof) increase the principal amount outstanding hereunder, shall be subject to the further conditions precedent that, on the date of such Extension of Credit and after giving effect thereto:

(a) the following statements shall be true (and each of the giving of the applicable notice or request with respect thereto and the making of such Extension of Credit without prior correction by the Borrower shall (to the extent that such correction has been previously consented to by the Lenders) constitute a representation and warranty by the Borrower that, on the date of such Extension of Credit, such statements are true):

(i) the representations and warranties contained in subsections (e)(iii) and (f) of Section 6.01 of this Agreement are correct on and as of the date of such Extension of Credit, before and after giving effect to such Extension of Credit and to the application of the proceeds thereof, as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing, or would result from such Extension of Credit or the application of the proceeds thereof; and

(b) the Administrative Agent shall have received such other approvals, opinions and documents as any Lender, through the Administrative Agent, may reasonably request.

SECTION 5.04. RELIANCE ON CERTIFICATES. The Lenders and each Agent shall be entitled to rely conclusively upon the certificates delivered from time to time by officers of the Borrower as to the names, incumbency, authority and signatures of the respective persons named therein until such time as the Administrative Agent may receive a replacement certificate, in form acceptable to the Administrative Agent, from an officer of such Person identified to the Administrative Agent as having authority to deliver such certificate, setting forth the names and true signatures of the officers and other representatives of such Person thereafter authorized to act on behalf of such Person.

ARTICLE VI
REPRESENTATIONS AND WARRANTIES

SECTION 6.01. REPRESENTATIONS AND WARRANTIES OF THE BORROWER. The Borrower represents and warrants as follows:

(a) Each of CMS Energy, Consumers and each of the Restricted Subsidiaries is duly organized, validly existing and in good standing under the laws of the state of its organization and is duly qualified to do business in, and is in good standing in, all other jurisdictions where the nature of its business or the nature of property owned or used by it makes such qualification necessary.

(b) The execution, delivery and performance by each Loan Party of each Loan Document to which it is or will be a party (i) are within such Loan Party's powers, (ii) have been duly authorized by all necessary corporate or other organizational action or proceedings and (iii) do not and will not (A) require any consent or approval of the stockholders (or other applicable holder of equity) of such Loan Party (other than such consents and approvals which have been

obtained and are in full force and effect), (B) violate any provision of the charter or by-laws (or other comparable constitutive documents) of such Loan Party or of law, (C) violate any legal restriction binding on or affecting such Loan Party, (D) result in a breach of, or constitute a default under, any indenture or loan or credit agreement or any other agreement, lease or instrument to which such Loan Party is a party or by which it or its properties may be bound or affected, or (E) result in or require the creation of any Lien (other than pursuant to the Loan Documents and pursuant to the "Loan Documents" as defined in each of the Enterprises 2003-A Credit Agreement and the CMS Energy Credit Agreement) upon or with respect to any of its respective properties.

(c) No Governmental Approval is required, other than filings necessary to create or perfect security interests in the Collateral or as may be required under applicable energy, antitrust or securities laws in connection with the exercise of remedies with respect to certain Collateral.

(d) Each Loan Document executed on the Closing Date is, and each other Loan Document to which any Loan Party will be a party when executed and delivered hereunder will (i) where applicable, create valid and, upon filing of the financing statements delivered on the Closing Date and described in Section 5.01(c)(i), perfected Liens in the Collateral covered thereby securing the payment of all of the Loans purported to be secured thereby, which Liens (x) with respect to all Collateral subject to a Lien under the AIG Pledge Agreement shall be perfected Liens from and after the effective date of the Intercreditor Agreement (Enterprises Facility) and (y) with respect to all other Collateral shall be pari-passu with any Liens thereon in favor of the collateral agents under each of the Enterprises 2003-A Credit Agreement and the CMS Energy Credit Agreement, and (ii) be, legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their respective terms; subject to the qualification, however, that the enforcement of the rights and remedies herein and therein is subject to bankruptcy and other similar laws of general application affecting rights and remedies of creditors and the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

(e) (i) The consolidated balance sheets of CMS Energy and its Consolidated Subsidiaries as at December 31, 2001 and December 31, 2002, and the related consolidated statements of income, retained earnings and cash flows of CMS Energy and its Consolidated Subsidiaries for the fiscal years then ended, included in CMS Energy's Annual Report on Form 10-K for the fiscal years ended December 31, 2001 and December 31, 2002, in each case as such financial statements are proposed to be restated in connection with the Restatement, copies of each of which have been furnished to each Lender, fairly present the financial condition of CMS Energy and its Consolidated Subsidiaries as at such dates and the results of operations of CMS Energy and its Consolidated Subsidiaries for the periods ended on such dates (it being understood that such financial statements do not give effect to any Restatement Event), all in accordance with generally accepted accounting principles consistently applied (except for changes resulting from any Restatement Event); (ii) the consolidated balance sheets of Consumers and its consolidated Subsidiaries as at December 31, 2001 and December 31, 2002, and the related consolidated statements of income, retained earnings and cash flows of Consumers and its consolidated Subsidiaries for the fiscal years then ended, included in CMS Energy's Annual Report on Form 10-K for the fiscal years ended December 31, 2001 and

December 31, 2002, in each case as such financial statements are proposed to be restated in connection with the Restatement, copies of each of which have been furnished to each Lender, fairly present the financial condition of Consumers and its consolidated Subsidiaries as at such dates and the results of operations of Consumers and its consolidated Subsidiaries for the periods ended on such dates (it being understood that such financial statements do not give effect to any Restatement Event), all in accordance with generally accepted accounting principles consistently applied (except for changes resulting from any Restatement Event); (iii) since December 31, 2002, except as disclosed in CMS Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, there has been no Material Adverse Change; and (iv) except as a result of any Restatement Event, no Loan Party has any material liabilities or obligations except as reflected in the foregoing financial statements and in Schedule I, as evidenced by the Loan Documents and as may be incurred, in accordance with the terms of this Agreement, in the ordinary course of business (as presently conducted) following the Closing Date.

(f) Except (i) as disclosed in CMS Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2002, and (ii) such other similar actions, suits and proceedings predicated on the occurrence of the same events giving rise to any actions, suits and proceedings described in the Annual Report filed with the Securities and Exchange Commission set forth in clause (i) above (all such matters in clauses (i) and (ii) being the "Disclosed Matters") and (iii) any Restatement Event, there are no pending or threatened actions, suits or proceedings against or, to the knowledge of CMS Energy, affecting CMS Energy or any of its Subsidiaries or the properties of CMS Energy or any of its Subsidiaries before any court, governmental agency or arbitrator, that would, if adversely determined, reasonably be expected to materially adversely affect the financial condition, properties, business or operations of CMS Energy and its Subsidiaries, considered as a whole, or affect the legality, validity or enforceability of this Agreement or any other Loan Document. There have been no adverse developments with respect to the Disclosed Matters that have had or could reasonably be expected to result in a Material Adverse Change.

(g) All insurance required by Section 7.01(b) is in full force and effect.

(h) No Plan Termination Event has occurred nor is reasonably expected to occur with respect to any Plan of CMS Energy or any of its ERISA Affiliates which would result in a material liability to CMS Energy, except as disclosed and consented to by the Required Lenders in writing from time to time. Except as disclosed in CMS Energy's Annual Report on Form 10-K for the period ended December 31, 2002, since the date of the most recent Schedule B (Actuarial Information) to the annual report of CMS Energy (Form 5500 Series), if any, there has been no material adverse change in the funding status of the Plans referred therein and no "prohibited transaction" has occurred with respect thereto which is reasonably expected to result in a material liability to CMS Energy. Neither CMS Energy nor any of its ERISA Affiliates has incurred nor reasonably expects to incur any material withdrawal liability under ERISA to any Multiemployer Plan, except as disclosed and consented to by the Required Lenders in writing from time to time.

(i) No fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (except for any such circumstance, if any, which is covered by insurance which coverage has been

confirmed and not disputed by the relevant insurer) affecting the properties, business or operations of CMS Energy, Consumers or any Restricted Subsidiary has occurred that could reasonably be expected to have a material adverse effect on the business, assets, property, financial condition, results of operations or prospects of (A) CMS Energy and its Subsidiaries, considered as a whole, or (B) Consumers and its Subsidiaries, considered as a whole.

(j) CMS Energy and its Subsidiaries have filed all tax returns (Federal, state and local) required to be filed and paid all taxes shown thereon to be due, including interest and penalties, or, to the extent CMS Energy or any of its Subsidiaries is contesting in good faith an assertion of liability based on such returns, has provided adequate reserves for payment thereof in accordance with GAAP.

(k) No extraordinary judicial, regulatory or other legal constraints exist which limit or restrict Consumers' ability to declare or pay cash dividends with respect to its capital stock, other than pursuant to the Consumers Credit Facility.

(l) CMS Energy owns not less than 80% of the outstanding shares of common stock of the Borrower.

(m) CMS Energy owns not less than 80% of the outstanding shares of common stock of Consumers.

(n) The Consolidated 2002-2007 Projections of Consumers, CMS Energy and the Borrower (the "PROJECTIONS") are based upon assumptions that CMS Energy believed were reasonable at the time the Projections were delivered, and all other financial information delivered by the Borrower to the Administrative Agent and the Banks on and after March 30, 2003 is true and correct in all material respects as at the dates and for the periods indicated therein (it being understood that such Projections and financial information do not give effect to any Restatement Event).

(o) No Loan Party is engaged in the business of extending credit for the purpose of buying or carrying margin stock (within the meaning of Regulation U issued by the Board), and no proceeds of any Loan will be used to buy or carry any margin stock or to extend credit to others for the purpose of buying or carrying any margin stock.

(p) No Loan Party is an investment company (within the meaning of the Investment Company Act of 1940, as amended).

(q) No proceeds of any Extension of Credit will be used to acquire any security in any transaction without the approval of the board of directors of the Person issuing such security if (i) the acquisition of such security would cause CMS Energy to own, directly or indirectly, 5.0% or more of any outstanding class of securities issued by such Person, or (ii) such security is being acquired in connection with a tender offer.

(r) Following application of the proceeds of each Extension of Credit, not more than 25 percent of the value of the assets of the Borrower and its Subsidiaries on a consolidated basis will be margin stock (within the meaning of Regulation U issued by the Board).

(s) No Loan Party is a registered "holding company" or a "subsidiary" or an "affiliate" of a registered "holding company," as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, 15 USC 79 et seq.

(t) The Borrower has not withheld any fact from the Administrative Agent or the Lenders in regard to the occurrence of any Material Adverse Change.

(u) After giving effect to the Loans to be made on the Closing Date or such other date as Loans requested hereunder are made, and the disbursement of the proceeds of such Loans pursuant to the Borrower's instructions, CMS Energy and its Subsidiaries, taken as a whole, are Solvent.

(v) Schedule I sets forth as of February 28, 2003 (i) all Project Finance Debt of the Consolidated Subsidiaries, and (ii) debt (as such term is construed in accordance with GAAP) of the Loan Parties, and, as of the Closing Date, there are no defaults in the payment of principal or interest on any such Debt and no payments thereunder have been deferred or extended beyond their stated maturity (except as disclosed on such Schedule).

ARTICLE VII
COVENANTS OF THE BORROWER

SECTION 7.01. AFFIRMATIVE COVENANTS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid, or any Lender shall have any Commitment:

(a) Payment of Taxes, Etc. CMS Energy shall pay and discharge, and each of its Subsidiaries shall pay and discharge, before the same shall become delinquent, all taxes, assessments and governmental charges, royalties or levies imposed upon it or upon its property except, in the case of taxes, to the extent CMS Energy or any Subsidiary, as the case may be, is contesting the same in good faith and by appropriate proceedings and has set aside adequate reserves for the payment thereof in accordance with GAAP.

(b) Maintenance of Insurance. CMS Energy shall maintain, and each of its Restricted Subsidiaries and Consumers shall maintain, insurance covering CMS Energy, each of its Restricted Subsidiaries, Consumers and their respective properties in effect at all times in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general geographical area in which CMS Energy, its Restricted Subsidiaries and Consumers operates, either with reputable insurance companies or, in whole or in part, by establishing reserves of one or more insurance funds, either alone or with other corporations or associations.

(c) Preservation of Existence, Etc. Except as otherwise permitted by Section 7.02, CMS Energy shall preserve and maintain, and each of its Restricted Subsidiaries and Consumers shall preserve and maintain, its corporate or limited liability company existence, material rights (statutory and otherwise) and franchises, and take such other action as may be necessary or advisable to preserve and maintain its right to conduct its business in the states where it shall be conducting its business.

(d) Compliance with Laws, Etc. CMS Energy shall comply, and each of its Restricted Subsidiaries and Consumers shall comply, in all material respects with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, including any such laws, rules, regulations and orders relating to zoning, environmental protection, use and disposal of Hazardous Substances, land use, construction and building restrictions, and employee safety and health matters relating to business operations.

(e) Inspection Rights. Subject to the requirements of laws or regulations applicable to CMS Energy or its Subsidiaries, as the case may be, and in effect at the time, at any time and from time to time upon reasonable notice, CMS Energy shall permit (i) each Agent and its agents and representatives to examine and make copies of and abstracts from the records and books of account of, and the properties of, CMS Energy or any of its Subsidiaries and (ii) each Agent, each of the Lenders, and their respective agents and representatives to discuss the affairs, finances and accounts of CMS Energy and its Subsidiaries with CMS Energy and its Subsidiaries and their respective officers, directors and accountants. Each such visitation and inspection described in the preceding sentence by or on behalf of any Lender shall, unless occurring at a time when a Default or Event of Default shall be continuing, be at such Lender's expense; all other such inspections and visitations shall be at the Borrower's expense.

(f) Keeping of Books. From and after December 31, 2002, CMS Energy shall keep, and each of its Subsidiaries shall keep, proper records and books of account, in which full and correct entries shall be made of all financial transactions of CMS Energy and its Subsidiaries and the assets and business of CMS Energy and its Subsidiaries, in accordance with GAAP (except as related to the Restatement).

(g) Maintenance of Properties, Etc. CMS Energy shall maintain, and each of its Restricted Subsidiaries shall maintain, in substantial conformity with all laws and material contractual obligations, good and marketable title to all of its properties which are used or useful in the conduct of its business; provided, however, that the foregoing shall not restrict the sale of any asset of CMS Energy or any Restricted Subsidiary to the extent not prohibited by Section 7.02(i). In addition, CMS Energy shall preserve, maintain, develop, and operate, and each of its Subsidiaries shall preserve, maintain, develop and operate, in substantial conformity with all laws and material contractual obligations, all of its material properties which are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

(h) Use of Proceeds. The Borrower shall use all Extensions of Credit for general corporate purposes (subject to the terms and conditions of this Agreement).

(i) Consolidated Leverage Ratio. CMS Energy shall maintain, as of the last day of each fiscal quarter (in each case, the "MEASUREMENT QUARTER"), a maximum ratio of (i) Consolidated Debt for the immediately preceding four-fiscal-quarter period ending on the last day of such Measurement Quarter (calculated exclusive of Panhandle and its Subsidiaries), to (ii) Consolidated EBITDA for such period (calculated exclusive of Panhandle and its Subsidiaries), of not more than 7.00 to 1.00, commencing with the period ending June 30, 2003.

(j) Cash Dividend Coverage Ratio. CMS Energy shall maintain, as of the last day of each Measurement Quarter, a minimum ratio of (i) the sum of (A) Cash Dividend Income for the four-fiscal-quarter period ending on such day, plus (B) 25% of the amount of Equity Distributions received by CMS Energy during such period but in no event in excess of $10,000,000 to (ii) an amount equal to (A) interest expense (excluding all arrangement, underwriting and other similar fees payable in connection with this Agreement, the Enterprises 2003-A Credit Agreement and the CMS Energy Credit Agreement) accrued by CMS Energy in respect of all Debt during such period, minus (B) cash interest income received by CMS Energy and its Subsidiaries from Persons other than CMS Energy or any of its Subsidiaries, minus (C) all amounts received by CMS Energy from its Subsidiaries and Affiliates during such period constituting reimbursement of interest expense and commitment, guaranty and letter of credit charges of CMS Energy to such Subsidiary or Affiliate, of not less than 1.20 to 1.00, commencing with the Measurement Quarter ending on June 30, 2003; provided, that CMS Energy shall be deemed not to be in breach of the foregoing covenant if, during the Measurement Quarter, it has permanently reduced the Commitments and the principal amount outstanding under this Agreement and the Promissory Notes, the principal amount outstanding under the Enterprises 2003-A Credit Agreement and the "Promissory Notes" thereunder (as such term is defined therein) and/or the principal amount outstanding under the CMS Energy Credit Agreement and the "Promissory Notes" thereunder (and as such term is defined therein), such that the amount determined pursuant to clause (ii) above, when recalculated on a pro forma basis assuming that the amount of such reduced commitments and principal amount outstanding under such agreements and promissory notes were in effect at all times during such four-fiscal-quarter period, would result in CMS Energy being in compliance with such ratio.

(k) Further Assurances. The Borrower shall promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or that any Lender through the Administrative Agent may reasonably request in order to give effect to the transactions contemplated by this Agreement and the other Loan Documents. In addition, the Borrower will use all reasonable efforts to duly obtain or make Governmental Approvals required from time to time on or prior to such date as the same may become legally required.

(l) Subsidiary Guarantees. CMS Energy will (i) with respect to each Person that becomes a Restricted Subsidiary after the Closing Date (other than (a) any Subsidiary of CMS Energy organized under the laws of a jurisdiction located other than in the United States (each a "FOREIGN SUBSIDIARY") if the execution of the Guaranty by such Subsidiary would result in any materially adverse tax consequences to CMS Energy, (b) Panhandle and its Subsidiaries, and (c) MS&T), subject to any limitations under contractual restrictions as in effect as of the Closing Date or applicable law with respect to each Foreign Subsidiary, cause each such Restricted Subsidiary to execute the Guaranty pursuant to which it agrees to be bound by the terms and provisions of the Guaranty, and (ii) cause such Persons identified in clause (i) above to deliver resolutions, opinions of counsel and such other constitutive documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

(m) Compliance with Fee Letter. Each of the Borrower and CMS Energy shall comply with its obligations under the Fee Letter.

(n) Bond Cash Collateral Account. The Borrower shall at all times maintain the Bond Cash Collateral Account, and shall promptly execute and deliver all further instruments and documents, and take all further action, that the Administrative Agent may reasonably request such that the Collateral Agent shall have a first priority security interest therein and shall use the cash collateral therein solely to repay in full in cash all amounts owing in respect of CMS Energy's reset put securities due July 1, 2003 and CMS Energy's general term notes due in 2003 or to repay the Obligations hereunder in accordance with the terms of Section 2.03(c)(iv).

(o) Payment of Declared Dividend. CMS Energy shall cause each of its direct Subsidiaries to pay all dividends within 30 days after declaration thereof.

(p) Securities Demand. Unless (x) the "Loans" and "Commitments" under (and as defined in) each of the Enterprises 2003-A Credit Agreement and the CMS Energy Credit Agreement and the Loans and Commitments hereunder shall have been permanently reduced in an aggregate principal amount of $550,000,000 or more on or before January 2, 2004, or (y) CMS Energy's reset put securities due July 1, 2003 shall have been reissued or remarketed pursuant to the terms thereof or refinanced and a mandatory prepayment of the Obligations shall have occurred in accordance with the terms of Section 2.03(c)(iv), or (z) a definitive purchase agreement satisfying the requirements of Section 7.02(i)(H) shall be in effect with respect to the sale of substantially all of the capital stock and assets of Panhandle and all authorizations, consents, approvals, licenses, permits, certificates, exemptions of or filings or registrations with, any governmental authority or other legal or regulatory body necessary in connection with the consummation of such sale shall have been obtained and are in full force and effect, then, upon notice from the Administrative Agent (at the direction of the Required Lenders) at any time on or after January 2, 2004 (a "SECURITIES DEMAND"), to the extent permitted under each of CMS Energy's indentures (and each supplement issued thereunder), CMS Energy will cause the issuance and sale of debt and/or equity securities ("SECURITIES") the proceeds of which shall be used to repay the 6.75% Senior Notes on their maturity date upon such terms and conditions specified in the Securities Demand; provided that (i) the interest rate (whether floating or fixed) shall be determined by Administrative Agent in light of the then prevailing market conditions for comparable securities, (ii) the Administrative Agent in its reasonable discretion and after consultation with CMS Energy, shall determine whether the Securities shall be issued through a public offering or a private placement; (iii) the Securities will be issued pursuant to an indenture or indentures, which shall contain such terms, conditions, and covenants as are typical and customary for similar financings and are reasonably satisfactory in all respects to the Administrative Agent; and (iv) all other arrangements with respect to the Securities shall be reasonably satisfactory in all respects to the Administrative Agent in light of the then prevailing market conditions.

SECTION 7.02. NEGATIVE COVENANTS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid or any Lender shall have any Commitment, CMS Energy shall not, without the written consent of the Required Lenders:

(a) Liens, Etc. (1) Create, incur, assume or suffer to exist, or permit any of the Loan Parties to create, incur, assume or suffer to exist, any lien, security interest, or other charge or encumbrance (including the lien or retained security title of a conditional vendor) of any kind, or any other type of arrangement intended or having the effect of conferring upon a

creditor a preferential interest upon or with respect to any of its properties of any character (including capital stock and other ownership interests of CMS Energy's directly-owned Subsidiaries, intercompany obligations and accounts) (any of the foregoing being referred to herein as a "LIEN"), whether now owned or hereafter acquired, or (2) file, or permit any of the other Loan Parties to file, under the Uniform Commercial Code of any jurisdiction a financing statement which names CMS Energy or any other Loan Party as debtor (other than financing statements that do not evidence a Lien), or (3) sign, or permit any of the other Loan Parties to sign, any security agreement authorizing any secured party thereunder to file such financing statement, or (4) assign, or permit any of the other Loan Parties to assign, accounts, excluding, however, from the operation of the foregoing restrictions the Liens created under the Loan Documents and the following:

(i) Liens for taxes, assessments or governmental charges or levies to the extent not past due;

(ii) cash pledges or deposits to secure (A) obligations under workmen's compensation laws or similar legislation, (B) public or statutory obligations of CMS Energy or any of the other Loan Parties, (C) Support Obligations of CMS Energy or any Loan Party, or (D) obligations of the Borrower or MS&T in respect of hedging arrangements and commodity purchases and sales (including any cash margins with respect thereto); provided that with respect to clauses (C) and (D) above the aggregate amount of cash pledges or deposits securing such Support Obligations and such obligations of the Borrower or MS&T shall not exceed $400,000,000 at any one time outstanding;

(iii) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's liens and other similar Liens arising in the ordinary course of business securing obligations which are not overdue or which have been fully bonded and are being contested in good faith;

(iv) Liens securing the obligations under the Loan Documents and under the "Loan Documents" as defined in each of the Enterprises 2003-A Credit Agreement and the CMS Energy Credit Agreement (and subordinated Liens securing the refinancing of all or any portion of such obligations, which Liens shall be subordinated on terms and conditions acceptable to the Administrative Agent and the Collateral Agent);

(v) Liens securing Off-Balance Sheet Liabilities (and all refinancings and recharacterizations thereof permitted under Section 7.02(b)(iv)) in an aggregate amount not to exceed $775,000,000;

(vi) purchase money Liens or purchase money security interests upon or in property acquired or held by CMS Energy or any of the other Loan Parties in the ordinary course of business to secure the purchase price of such property or to secure indebtedness incurred solely for the purpose of financing the acquisition of any such property to be subject to such Liens or security interests, or Liens or security interests existing on any such property at the time of acquisition, or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount, provided that no such Lien or security

interest shall extend to or cover any property other than the property being acquired and no such extension, renewal or replacement shall extend to or cover property not theretofore subject to the Lien or security interest being extended, renewed or replaced, and provided, further, that the aggregate principal amount of the Debt at any one time outstanding secured by Liens permitted by this clause (vi) shall not exceed $15,000,000;

(vii) Utility easements, building restrictions and such other encumbrances or charges against real property as are of a nature generally existing with respect to properties of a similar character and which do not in any material way affect the marketability of the same or interfere with the use thereof in the business of CMS Energy or any other Loan Party;

(viii) Liens existing on any capital asset of any Person at the time such Person is merged or consolidated with or into, or otherwise acquired by, CMS Energy or any other Loan Party and not created in contemplation of such event, provided that such Liens do not encumber any other property or assets and such merger, consolidation or acquisition is otherwise permitted under this Agreement;

(ix) Liens existing on any capital asset prior to the acquisition thereof by CMS Energy or any other Loan Party and not created in contemplation thereof; provided that such Liens do not encumber any other property or assets;

(x) Liens existing as of the Closing Date;

(xi) Liens securing Project Finance Debt otherwise permitted under this Agreement;

(xii) Liens arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses (v), (viii), (ix), (x) or (xi); provided that (a) such Debt is not secured by any additional assets, and (b) the amount of such Debt secured by any such Lien is otherwise permitted under this Agreement;

(xiii) Liens on accounts receivable (other than intercompany receivables) and other contract rights of MS&T and its Subsidiaries arising on or after the Closing Date in favor of any Person (other than an Affiliate of CMS Energy or any of its Subsidiaries) that facilitates the origination of such accounts receivable or other contract rights;

(xiv) subordinated Liens granted pursuant to the terms of the AIG Pledge Agreement, which Liens shall be subordinated pursuant to the terms of the Intercreditor Agreement (CMS Energy Facility), to secure certain surety bond obligations as described in the AIG Pledge Agreement; and

(xv) subordinated Liens arising out of the refinancing, extension, renewal or refunding of the 6.75% Senior Notes, CMS Energy's reset put securities due July 1, 2003 and CMS Energy's general term notes due in 2003, which Liens shall be subordinated on terms and conditions acceptable to the Administrative Agent and the Collateral Agent.

(b) Borrower Debt. Permit the Borrower or any Subsidiary of the Borrower (other than Panhandle and its Subsidiaries) to create, incur, assume or suffer to exist any debt (as such term is construed in accordance with GAAP) other than:

(i) debt arising by reason of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of the Borrower's or its Subsidiaries' business;

(ii) in the form of indemnities in respect of unfiled mechanics' liens and Liens affecting the Borrower's or its Subsidiaries' properties permitted under Section 7.02(a)(iii);

(iii) debt arising under (a) the Loan Documents, (b) the "Loan Documents" as defined in the CMS Energy Credit Agreement in a principal amount not to exceed $409,000,000 minus any principal payments (but with respect to principal payments of revolving loans prior to the "Conversion Date" thereunder, only to the extent of any concurrent reduction or termination of the "Commitments" as defined therein) made from time to time thereunder, and (c) the "Loan Documents" as defined in the Enterprises 2003-A Credit Agreement in a principal amount not to exceed $441,000,000 minus any principal payments (but with respect to principal payments of revolving loans prior to the "Conversion Date" thereunder, only to the extent of any concurrent reduction or termination of the "Commitments" as defined therein) made from time to time thereunder;

(iv) debt constituting Off-Balance Sheet Liabilities (including any recharacterization thereof as debt pursuant to any changes in generally accepted accounting principles hereafter required or permitted and which are adopted by CMS Energy or any of its Subsidiaries with the agreement of its independent certified public accountants) to the extent permitted by Section 7.02(o), and any extensions, renewals, refundings or replacements thereof, provided that any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount of, is an obligation of the same Person that is the obligor in respect of, and has a weighted average life to maturity not less than the weighted average life to maturity of, the debt so extended, renewed, refunded or replaced;

(v) other debt of the Borrower and its Subsidiaries outstanding on the Closing Date (including the debt of the Loan Parties as of February 28, 2003 as set forth on Schedule I), and any extensions, renewals, refundings or replacements thereof, provided that any such extension, renewal, refunding or replacement is in an aggregate principal amount not greater than the principal amount of, is an obligation of the same Person that is the obligor in respect of, and has a weighted average life to maturity not less than the weighted average life to maturity of, the debt so extended, renewed, refunded or replaced;

(vi) (a) unsecured, subordinated debt owed (i) to CMS Energy by the Borrower, (ii) to the Borrower or CMS Capital, L.L.C. (or any successor by merger to CMS Capital, L.L.C.) and (iii) to any Grantor by any Loan Party, and (b) unsecured debt owed to any Subsidiary of the Borrower (other than a Grantor) by CMS Capital, L.L.C.

(or any successor by merger to CMS Capital, L.L.C.), and (c) unsecured debt of any Foreign Subsidiary of the Borrower owed to another Foreign Subsidiary of the Borrower provided that the proceeds of any repayment of such debt are remitted to a Loan Party;

(vii) Project Finance Debt of any Loan Party or any of its Subsidiaries incurred on or after the Closing Date, provided that the Net Proceeds thereof shall be applied in accordance with Section 2.03(c) if required to be so applied; and

(viii) capital lease obligations and other Debt secured by purchase money Liens to the extent such Liens shall be permitted under Section 7.02(a)(vi).

(c) Lease Obligations. Create, incur, assume or suffer to exist, or permit any of the other Loan Parties to create, incur, assume or suffer to exist, any obligations as lessee for the rental or hire of real or personal property of any kind under leases or agreements to lease (other than leases which constitute Debt) having an original term of one year or more which would cause the aggregate direct or contingent liabilities of CMS Energy and the other Loan Parties in respect of all such obligations payable in any period of 12 consecutive calendar months to exceed $50,000,000.

(d) Investments in Other Persons. Make, or permit any of the other Loan Parties to make, any loan or advance to any Person, or purchase or otherwise acquire any capital stock, obligations or other securities of, make any capital contribution to, or otherwise invest in, any Person, other than (i) Permitted Investments, (ii) pursuant to the contractual or contingent obligations of CMS Energy or any other Loan Party as in effect as of the Closing Date and in amounts not to exceed the estimated amounts as set forth on Schedule I hereto (whether such obligation is conditioned upon a change in the ratings of the securities issued by such Person or otherwise) and, in each case, in an amount not to exceed such contractual or contingent obligation as in effect on the Closing Date, (iii) investments, directly or indirectly, by any Loan Party (x) in the capital of any Subsidiary of CMS Energy that is a Loan Party and (y) in assets contributed to such Loan Party, provided that if any such assets constitute Collateral prior to such contribution, such assets shall remain Collateral after giving effect to such contribution and prior to such contribution CMS Energy shall, and shall cause each applicable Subsidiary to, execute and deliver to the Administrative Agent all agreements, instruments and documents as may be necessary or reasonably requested by the Administrative Agent to perfect its security interest in such Collateral, (iv) investments in the capital stock or other ownership interests of any of CMS Energy's Subsidiaries arising from the conversion of intercompany indebtedness to equity, (v) intercompany loans and advances to the extent the corresponding debt is permitted under Section 7.02(b)(vi), (vi) investments constituting non-cash consideration received in connection with the sale of any asset permitted under Section 7.02(i), and (vii) additional loans, advances, purchases, contributions and other investments in an amount not to exceed $340,000,000 in the aggregate at any time; provided, however, that investments described in clauses (iv) (solely with respect to investments made in any Subsidiary that is not a Loan Party) and (vii) above shall not be permitted to be made at a time when either a Default or an Event of Default shall be continuing or would result therefrom; provided, further, that, notwithstanding the foregoing, neither CMS Energy nor any Loan Party shall make any loans or advances to any of CMS Energy's Subsidiaries other than, to the extent otherwise permitted hereunder, Enterprises or any Subsidiary of Enterprises.

(e) Restricted Payments. Declare or pay, or permit any other Loan Party to declare or pay, directly or indirectly, any dividend, payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any share of any class of capital stock or other ownership interests of CMS Energy or any of the other Loan Parties (other than (1) stock splits and dividends payable solely in nonconvertible equity securities of CMS Energy (other than Redeemable Stock or Exchangeable Stock (as such terms are defined in the Indenture on the Closing Date)) and (2) dividends and distributions made to CMS Energy or a Loan Party), or purchase, redeem, retire, or otherwise acquire for value, or permit any of the other Loan Parties to purchase, redeem, retire, or otherwise acquire for value, any shares of any class of capital stock or other ownership interests of CMS Energy or any of the other Loan Parties or any warrants, rights, or options to acquire any such shares, now or hereafter outstanding, or make, or permit any of the other Loan Parties to make, any distribution of assets to any of its shareholders (other than distributions to CMS Energy or any other Loan Party) (any such dividend, payment, distribution, purchase, redemption, retirement or acquisition being hereinafter referred to as a "RESTRICTED PAYMENT") other than (i) pursuant to the terms of any class of capital stock of CMS Energy issued and outstanding (and as in effect on) the Closing Date, any purchase or redemption of capital stock of CMS Energy made by exchange for, or out of the proceeds of the substantially concurrent sale of, capital stock of CMS Energy (other than Redeemable Stock or Exchangeable Stock (as such terms are defined in the Indenture on the Closing Date)); and (ii) payments made by CMS Energy or any other Loan Party pursuant to the Tax Sharing Agreement.

(f) Compliance with ERISA. (i) Permit to exist any "accumulated funding deficiency" (as defined in Section 412(a) of the Internal Revenue Code of 1986, as amended), (ii) terminate, or permit any ERISA Affiliate to terminate, any Plan or withdraw from, or permit any ERISA Affiliate to withdraw from, any Multiemployer Plan, so as to result in any material (in the opinion of the Required Lenders) liability of CMS Energy, any other Loan Party or Consumers to such Plan, Multiemployer Plan or the PBGC, or (iii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, which presents a material (in the opinion of the Required Lenders) risk of such a termination by the PBGC of any Plan or withdrawal from any Multiemployer Plan so as to result in a material liability to CMS Energy, any other Loan Party or Consumers.

(g) Transactions with Affiliates. Enter into, or permit any of its Subsidiaries to enter into, any transaction with any of its Affiliates unless such transaction is on terms no less favorable to CMS Energy or such Subsidiary than if the transaction had been negotiated in good faith on an arm's-length basis with a non-Affiliate; provided that (x) the purchase by, or other transfer to, Trunkline Field Services Company of certain assets of CMS Field Services, Inc. as described to the Administrative Agent and the Lenders prior to the date hereof shall be permitted hereunder and (y) any transaction permitted under Sections 7.02(b), 7.02(e) or 7.02(h) shall be permitted hereunder.

(h) Mergers, Etc. Merge with or into or consolidate with or into, or permit any of the other Loan Parties or Consumers to merge with or into or consolidate with or into, any other Person, except that (i) (x) any Loan Party may merge with or into any other Loan Party, (y) any Subsidiary of a Loan Party that is not a Loan Party may merge into such Loan Party or with or into any other Subsidiary of any Loan Party, provided that (a) in any such merger into a

Loan Party under clause (y) above, the Loan Party is the survivor thereof, (b) no Default or Event of Default shall be continuing or result therefrom and (c) such Loan Party shall not be liable with respect to any Debt or allow its property to be subject to any Lien which it could not become liable with respect to or allow its property to become subject to under this Agreement or any other Loan Document on the date of such transaction, and (ii) any Loan Party may merge with or into any other Person, provided that (a) the Loan Party is the survivor thereof, or, in the case of any Loan Party that is a corporation reconstituting itself as limited liability company, such limited liability company shall be the survivor thereof and shall be thereafter deemed to be a Loan Party hereunder, (b) no Default or Event of Default shall be continuing or result therefrom, (c) such Loan Party shall not be liable with respect to any Debt or allow its property to be subject to any Lien which it could not become liable with respect to or allow its property to become subject to under this Agreement or any other Loan Document on the date of such transaction, and (d) immediately after giving effect to such merger, the Net Worth of such Loan Party shall be equal to or greater than the Net Worth of such Loan Party as of the last day of the fiscal quarter immediately preceding the date of such merger.

(i) Sales, Etc., of Assets. Sell, lease, transfer, assign, or otherwise dispose of all or any substantial part of its assets, or permit any of the other Loan Parties (other than MS&T) to sell, lease, transfer, or otherwise dispose of all or any substantial part of its assets, except to give effect to a transaction permitted by subsection (h) above or subsection (j) below; provided, further, that neither CMS Energy nor any of the other Loan Parties (other than MS&T) shall sell, assign, transfer, lease, convey or otherwise dispose of any property, whether now owned or hereafter acquired, or any income or profits therefrom, or enter into any agreement to do so, except:

(A) the sale of property for consideration not less than the Fair Market Value thereof so long as (i) any non-cash consideration resulting from such sale shall be pledged or assigned to the Collateral Agent, for the benefit of the Lenders, pursuant to an instrument in form and substance reasonably acceptable to the Collateral Agent, (ii) cash consideration resulting from such sale shall be (x) in an amount determined by the Borrower for any sale the consideration of which is $10,000,000 or less, or, together with all other such sales under this clause (x), $25,000,000 or less, (y) in the case of the sale of substantially all or any portion of the capital stock and assets of CMS Field Services, Inc. and its Subsidiaries, not less than 60% of the aggregate consideration resulting from such sale, (z) for all other sales, not less than 90% of the aggregate consideration resulting from such sale, and (iii) the Borrower complies with the mandatory prepayment provisions set forth in Section 2.03(c);

(B) the transfer of property from a Loan Party to any other Loan Party;

(C) the transfer of property constituting an investment otherwise permitted under Section 7.02(d);

(D) the sale of electricity and natural gas and other property in the ordinary course of Borrower's and its Subsidiaries respective businesses consistent with past practice;

(E) any transfer of an interest in receivables and related security, accounts or notes receivable on a limited recourse basis in connection with the incurrence of Off-Balance Sheet Liabilities, provided that such transfer qualifies as a legal sale and as a sale under GAAP and the incurrence of such Off-Balance Sheet Liabilities is permitted under Section 7.02(o);

(F) the transfer of property constituting not more than two percent (2%) of the ownership interests held by CMS Energy and its Subsidiaries as of the Closing Date in CMS International Ventures, L.L.C. to CMS Energy Foundation and/or Consumers Foundation and/or any other third-party 501(c)(3) charitable organization;

(G) the disposition of equipment if such equipment is obsolete or no longer useful in the ordinary course of CMS Energy's or such Subsidiary's business;

(H) the sale of substantially all of the capital stock and assets of Panhandle; provided that such sale shall be consummated substantially in accordance with, and on terms not materially more adverse to the interests of the Agents and the Lenders than the terms and conditions set forth in, that certain Stock Purchase Agreement, dated as of December 21, 2002, by and among CMS Gas Transmission Company, AIG Highstar Capital, L.P., AIG Highstar II Funding Corp., Southern Union Company and Southern Union Panhandle Corp. (the "PANHANDLE SALE AGREEMENT"); provided that any modifications to the Panhandle Sale Agreement to reflect purchase price adjustments in the aggregate not to exceed $50,000,000 and otherwise on terms and conditions reasonably acceptable to the Administrative Agent shall be deemed to be permitted hereunder.

(j) Maintenance of Ownership of Subsidiaries. Sell, transfer, assign or otherwise dispose of any shares of capital stock or other ownership interests of any of the Loan Parties or Consumers (other than preferred or preference stock of Consumers) or any warrants, rights or options to acquire such capital stock or other ownership interests, or permit any other Loan Party or Consumers to issue, sell, transfer, assign or otherwise dispose of any shares of its capital stock (other than preferred or preference stock of Consumers) or other ownership interests or the capital stock or other ownership interests of any other Loan Party or any warrants, rights or options to acquire such capital stock or other ownership interests, except (i) to give effect to a transaction permitted by subsection (d), (h) or (i) above, and (ii) in connection with the foreclosure of any Liens permitted under Section 7.02(a)(iv).

(k) Amendment of Tax Sharing Agreement. Directly or indirectly, amend, modify, supplement, waive compliance with, seek a waiver under, or assent to noncompliance with, any term, provision or condition of the Tax Sharing Agreement if the effect of such amendment, modification, supplement, waiver or assent is to (i) reduce materially any amounts otherwise payable to, or increase materially any amounts otherwise owing or payable by, CMS Energy thereunder, or (ii) change materially the timing of any payments made by or to CMS Energy thereunder.

(l) Prepayments of Indebtedness. Make or agree to pay or make, or permit any of the other Loan Parties to make or agree to pay or make, directly or indirectly, any

payment or other distribution (whether in cash, securities or other property) of or in respect of principal of or interest on any Debt, or any payment or other distribution (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any Debt (other than the obligations of the Loan Parties under the Loan Documents and under the "Loan Documents" as defined in each of the Enterprises 2003-A Credit Agreement and the CMS Energy Credit Agreement), other than (i) any payments on account of (a) any Debt when and as such payment was due (including at the maturity thereof if the initial stated maturity thereof is on or prior to the Termination Date) pursuant to the mandatory payment provisions applicable to such Debt at the time it was incurred (including, without limitation, regularly scheduled payment dates for principal, interest, fees and other amounts due thereon) or any extension thereof thereafter granted by the holder of such Debt, (b) refinancings of Debt otherwise permitted under this Agreement, (c) any Debt owed to CMS Energy or any of its Subsidiaries, (d) Debt secured by a Lien on assets subject to an asset sale permitted by Section 7.02(i) and (e) the extinguishment of any intercompany Debt in connection with a dividend or distributions permitted under Section 7.02(e), (ii) payments constituting the exchange of CMS Energy's common stock (other than Redeemable Stock or Exchangeable Stock (as such terms are defined in the Indenture on the Closing Date)) for CMS Energy's outstanding Debt (and any cash payments made in lieu of the issuance of fractional shares) to the extent such exchange is permitted under the Securities and Exchange Act of 1934, as amended and (iii) prepayments of CMS Energy's reset put securities due July 1, 2003 and CMS Energy's general term notes due in 2003.

(m) Conduct of Business. Engage, or permit any Restricted Subsidiary to engage, in any business other than (a) the business engaged in by CMS Energy and its Subsidiaries on the date hereof, and (b) any business or activities which are substantially similar, related or incidental thereto.

(n) Organizational Documents. Amend, modify or otherwise change, or permit any Restricted Subsidiary to amend, modify or otherwise change any of the terms or provisions in any of their respective certificate of incorporation and by-laws (or comparable constitutive documents) as in effect on the Closing Date in any manner adverse to the interests of the Lenders.

(o) Off-Balance Sheet Liabilities. Create, incur, assume or suffer to exist, or permit any Subsidiary (other than Consumers and its Subsidiaries) to create, incur, assume or suffer to exist, Off-Balance Sheet Liabilities (exclusive of lease obligations otherwise permitted under Section 7.02(c)) in the aggregate in excess of $775,000,000 at any time.

(p) Intercreditor Agreement (Enterprises Facility). Fail to use its best efforts to cause the parties to the AIG Pledge Agreement to execute and deliver the Intercreditor Agreement (Enterprises Facility), together with all further instruments and documents, or fail to take all further action that may be necessary or that any Lender through the Administrative Agent may reasonably request in order to give effect to such Intercreditor Agreement (Enterprises Facility), or fail to deliver to the Administrative Agent, promptly following the execution of such Intercreditor Agreement, the Pledge Agreement described in clause (ii) of the definition of "Pledge Agreements" duly executed by each Loan Party party thereto.

SECTION 7.03. REPORTING OBLIGATIONS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid or any Lender shall have any Commitment, CMS Energy will, unless the Required Lenders shall otherwise consent in writing, furnish to the Administrative Agent (with sufficient copies for each Lender), the following:

(a) as soon as possible and in any event within five days after the Borrower knows or should have reason to know of the occurrence of each Default or Event of Default continuing on the date of such statement, a statement of the chief financial officer or chief accounting officer of the Borrower setting forth details of such Default or Event of Default and the action that the Borrower proposes to take with respect thereto;

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of CMS Energy, commencing with the fiscal quarter ending on March 31, 2003, a consolidated balance sheet and consolidated statements of income and retained earnings and of cash flows of CMS Energy and its Subsidiaries as at the end of such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter (which requirement shall be deemed satisfied by the delivery of CMS Energy's quarterly report on Form 10-Q for such quarter), all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer or chief accounting officer of CMS Energy as having been prepared in accordance with GAAP, together with (A) a schedule (substantially in the form of Exhibit E appropriately completed) of (1) for the periods ending June 30, 2003 and thereafter, the computations used by CMS Energy in determining compliance with the covenants contained in Sections 7.01(i) and 7.01(j) and the ratio set forth in Section 8.01(j), (2) all Project Finance Debt of the Consolidated Subsidiaries, together with CMS Energy's Ownership Interest in each such Consolidated Subsidiary and (3) all Support Obligations of CMS Energy of the types described in clauses (iv) and (v) of the definition of Support Obligations (whether or not each such Support Obligation or the primary obligation so supported is fixed, conclusively determined or reasonably quantifiable) to the extent such Support Obligations have not been previously disclosed as "Consolidated Debt" pursuant to clause (1) above, and (B) a certificate of said officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that CMS Energy proposes to take with respect thereto;

(c) as soon as available and in any event within 120 days after the end of each fiscal year of CMS Energy and its Subsidiaries, commencing with the fiscal year ending on December 31, 2003, a copy of the Annual Report on Form 10-K (or any successor form) for CMS Energy and its Subsidiaries for such year, including therein a consolidated balance sheet of CMS Energy and its Subsidiaries as of the end of such fiscal year and consolidated statements of income and retained earnings and of cash flows of CMS Energy and its Subsidiaries for such fiscal year, accompanied by a report thereon of a nationally-recognized independent public accounting firm, together with (1) a schedule in form satisfactory to the Required Lenders of (A) the computations used by such accounting firm in determining, as of the end of such fiscal year, compliance with the covenants contained in Sections 7.01(i) and 7.01(j) and the ratio set forth in Section 8.01(j), (B) all Project Finance Debt of the Consolidated Subsidiaries, together with CMS Energy's Ownership Interest in each such Consolidated Subsidiary and (C) all

Support Obligations of CMS Energy of the types described in clauses (iv) and (v) of the definition of Support Obligations (whether or not each such Support Obligation or the primary obligation so supported is fixed, conclusively determined or reasonably quantifiable) to the extent such Support Obligations have not been previously disclosed as "Consolidated Debt" pursuant to clause (A) above, and (2) a certificate of the chief financial officer or chief accounting officer of CMS Energy stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that CMS Energy proposes to take with respect thereto;

(d) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of CMS Energy, commencing with the fiscal quarter ending on March 31, 2003, a balance sheet and statements of income and retained earnings and of cash flows of CMS Energy as at the end of such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer or chief accounting officer of CMS Energy as having been prepared in accordance with GAAP;

(e) as soon as available and in any event within 120 days after the end of each fiscal year of CMS Energy, commencing with the fiscal year ending on December 31, 2003, a balance sheet of CMS Energy as at the end of such fiscal year and statements of income and retained earnings and of cash flows of CMS Energy for such fiscal year, all in reasonable detail and duly certified (subject to year end audit adjustments) by the chief financial officer or chief accounting officer of CMS Energy as having been prepared in accordance with GAAP;

(f) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, commencing with the fiscal quarter ending on March 31, 2003, a balance sheet and statements of income and retained earnings and of cash flows of the Borrower as at the end of such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer or chief accounting officer of the Borrower as having been prepared in accordance with GAAP;

(g) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, commencing with the fiscal year ending on December 31, 2003, a balance sheet of the Borrower as at the end of such fiscal year and statements of income and retained earnings and of cash flows of the Borrower for such fiscal year, all in reasonable detail and duly certified (subject to year end audit adjustments) by the chief financial officer or chief accounting officer of the Borrower as having been prepared in accordance with GAAP;

(h) as soon as possible and in any event (A) within 30 days after CMS Energy knows or has reason to know that any Plan Termination Event described in clause (i) of the definition of Plan Termination Event with respect to any Plan of CMS Energy or any ERISA Affiliate of CMS Energy has occurred and could reasonably be expected to result in a material liability to CMS Energy and (B) within 10 days after CMS Energy knows or has reason to know that any other Plan Termination Event with respect to any Plan of CMS Energy or any ERISA Affiliate of CMS Energy has occurred and could reasonably be expected to result in a material liability to CMS Energy, a statement of the chief financial officer or chief accounting officer of

CMS Energy describing such Plan Termination Event and the action, if any, which CMS Energy proposes to take with respect thereto;

(i) except as may arise in connection with the sale of Panhandle, promptly after receipt thereof by CMS Energy or any of its ERISA Affiliates from the PBGC copies of each notice received by CMS Energy or any such ERISA Affiliate of the PBGC's intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(j) except as may arise in connection with the sale of Panhandle, promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan (if any) to which CMS Energy is a contributing employer;

(k) promptly after receipt thereof by CMS Energy or any of its ERISA Affiliates from a Multiemployer Plan sponsor, a copy of each notice received by CMS Energy or any of its ERISA Affiliates concerning the imposition or amount of withdrawal liability in an aggregate principal amount of at least $250,000 pursuant to Section 4202 of ERISA in respect of which CMS Energy is reasonably expected to be liable;

(l) promptly after CMS Energy becomes aware of the occurrence thereof, notice of all actions, suits, proceedings or other events of the type described in Section 6.01(f);

(m) promptly after the sending or filing thereof, notice to the Administrative Agent and each Lender of any sending or filing of all proxy statements, financial statements and reports which CMS Energy sends to its public security holders (if any), all regular, periodic and special reports which CMS Energy files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange, pursuant to the Exchange Act, and all final prospectuses with respect to any securities issued or to be issued by CMS Energy or any of its Subsidiaries;

(n) as soon as possible and in any event within five days after the occurrence of any material default under any material agreement to which CMS Energy or any of its Subsidiaries is a party, which default would materially adversely affect the business, assets, property, financial condition, results of operations or prospects of CMS Energy and its Subsidiaries, considered as a whole, any of which is continuing on the date of such certificate, a certificate of the chief financial officer of CMS Energy setting forth the details of such material default and the action which CMS Energy or any such Subsidiary proposes to take with respect thereto; and

(o) promptly after requested, such other information respecting the business, properties, condition or operations, financial or otherwise, of CMS Energy and its Subsidiaries as any Agent or the Required Lenders may from time to time reasonably request in writing.

The Borrower and CMS Energy, as applicable, shall be deemed to have fulfilled its obligations pursuant to clauses (b), (c), (d), (e), (f), (g) and (m) above to the extent the Administrative Agent (and the Lenders, if applicable) receives an electronic copy of the requisite document or documents in a format reasonably acceptable to the Administrative Agent, provided that (1) an executed, tangible copy of any report required pursuant to clause (e) above is delivered to the

Administrative Agent at the time of any such electronic delivery, and (2) a tangible copy of each requisite document delivered electronically is made available by the Borrower or CMS Energy, as applicable, promptly upon request by any Agent or Lender.

ARTICLE VIII
DEFAULTS

SECTION 8.01. EVENTS OF DEFAULT. If any of the following events (each an "EVENT OF DEFAULT") shall occur and be continuing, the Administrative Agent and the Lenders shall be entitled to exercise the remedies set forth in Section 8.02:

(a) The Borrower shall fail to pay (i) any principal of any Loan when due or (ii) any interest thereon, fees or other amounts (other than any principal of any Loan) payable hereunder within two Business Days after such interest, fees or other amounts shall have become due; or

(b) Any representation or warranty made by or on behalf of the Borrower in any Loan Document or certificate or other writing delivered pursuant thereto shall prove to have been incorrect in any material respect when made or deemed made; or

(c) CMS Energy or any of its Subsidiaries shall fail to perform or observe any term or covenant on its part to be performed or observed contained in Section 7.01(c), (h), (i), (j), (l), (o) or (p) or in Section 7.02 hereof (and CMS Energy, the Borrower, each Lender and each Agent hereby agrees that an Event of Default under this subsection (c) shall be given effect as if the defaulting Subsidiary were a party to this Agreement); or

(d) CMS Energy or any of its Subsidiaries shall fail to perform or observe any other term or covenant on its part to be performed or observed contained in any Loan Document and any such failure shall remain unremedied, after written notice thereof shall have been given to the Borrower by the Administrative Agent, for a period of 10 Business Days (and CMS Energy, the Borrower, each Lender and each Agent hereby agrees that an Event of Default under this subsection (d) shall be given effect as if the defaulting Subsidiary were a party to this Agreement); or

(e) CMS Energy, any Restricted Subsidiary or Consumers shall fail to pay any of its Debt (including any interest or premium thereon but excluding Debt incurred under this Agreement) (i) under the CMS Energy Credit Agreement, (ii) the Enterprises 2003-A Credit Agreement, or (iii) otherwise aggregating, in the case of CMS Energy and each Restricted Subsidiary, $6,000,000 or more or, in the case of Consumers, $25,000,000 or more, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in any agreement or instrument relating to such Debt; or any other default under any agreement or instrument relating to any such Debt (including any "amortization event" or event of like import in connection with any Off-Balance Sheet Liabilities), or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is (i) to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a

regularly scheduled required prepayment) prior to the stated maturity thereof; unless in each such case the obligee under or holder of such Debt shall have waived in writing such circumstance so that such circumstance is no longer continuing, or (ii) with respect to any such event occurring in connection with any Off-Balance Sheet Liabilities aggregating $6,000,000 or more, to terminate the reinvestment of collections or proceeds of receivables and related security under any agreements or instruments related thereto (other than a termination resulting solely from the request of CMS Energy or its Subsidiaries); or

(f) (i) CMS Energy, any Restricted Subsidiary or Consumers shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make an assignment for the benefit of creditors; or (ii) any proceeding shall be instituted by or against CMS Energy, any Restricted Subsidiary or Consumers seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of its debts under any law relating to bankruptcy, insolvency, or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of a proceeding instituted against CMS Energy, either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including the entry of an order for relief against CMS Energy, a Restricted Subsidiary or Consumers or the appointment of a receiver, trustee, custodian or other similar official for CMS Energy, such Restricted Subsidiary or Consumers or any of its property) shall occur; or (iii) CMS Energy, any Restricted Subsidiary or Consumers shall take any corporate or other action to authorize any of the actions set forth above in this subsection (f); or

(g) Any judgment or order for the payment of money in excess of $6,000,000 shall be rendered against the Borrower, any Guarantor or any of their respective properties and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) Any material provision of any Loan Document, after execution hereof or delivery thereof under Article V, shall for any reason other than the express terms hereof or thereof cease to be valid and binding on any party thereto; or any Loan Party shall so assert in writing; or any Guarantor shall terminate or revoke any of its obligations under the applicable Guaranty; or

(i) Any "Event of Default" shall occur under and as defined in the AIG Pledge Agreement as in effect on January 8, 2003 (and without giving effect to any amendment or other modification thereto); or

(j) There shall be imposed or enacted any Consumers Dividend Restriction, the result of which is that the Dividend Coverage Ratio shall be less than 1.15 to 1.0 at any time after the imposition of such Consumers Dividend Restriction; or

(k) At any time, for any reason (except to the extent permitted by the terms of the Loan Documents or due to any failure by the Collateral Agent to take any action on its part to be performed under applicable law in order to maintain the perfection or priority of any such Liens), (i) the Liens intended to be created under any of the Loan Documents with respect to Collateral having a Fair Market Value of $6,000,000 or more become, or the Borrower or any such Subsidiary seeks to render such Liens, invalid or unperfected, or (ii) Liens in favor of the Collateral Agent for the benefit of the Lenders contemplated by the Loan Documents with respect to Collateral having a Fair Market Value of $6,000,000 or more shall, at any time, for any reason, be invalidated or otherwise cease to be in full force and effect, or such Liens shall not have the priority contemplated by this Agreement or the Loan Documents.

SECTION 8.02. REMEDIES. If any Event of Default has occurred and is continuing, then the Administrative Agent or the Collateral Agent, as applicable, shall at the request, or may with the consent, of the Required Lenders, upon notice to the Borrower (i) declare the Commitments and the obligation of each Lender to make or Convert Loans to be terminated, whereupon the same shall forthwith terminate, (ii) declare the principal amount outstanding hereunder, all interest thereon and all other amounts payable under this Agreement and the other Loan Documents to be forthwith due and payable, whereupon the principal amount outstanding hereunder, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, and (iii) exercise in respect of any and all collateral, in addition to the other rights and remedies provided for herein or otherwise available to the Administrative Agent, the Collateral Agent or the Lenders (including the delivery of instructions and entitlement orders in respect of the Bond Cash Collateral Account, provided that the Collateral Agent hereby agrees that it shall not issue such instructions or entitlement orders concerning the assets held in the Bond Cash Collateral Account unless an Event of Default shall have occurred and is continuing), all the rights and remedies of a secured party on default under the Uniform Commercial Code in effect in the State of New York and in effect in any other jurisdiction in which collateral is located at that time; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower or any Guarantor under the Federal Bankruptcy Code, (A) the Commitments and the obligation of each Lender to make or Convert Loans shall automatically be terminated and (B) the principal amount outstanding hereunder, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE IX
THE AGENTS

SECTION 9.01. AUTHORIZATION AND ACTION.

(a) Each of the Lenders hereby irrevocably appoints each Agent as its agent and authorizes each such Agent to take such actions on its behalf and to exercise such powers as are delegated to such Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

(b) Any Lender serving as an Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not an Agent, and such Lender and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with CMS Energy or any of its Subsidiaries or other Affiliate thereof as if it were not an Agent hereunder.

(c) No Agent shall have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (i) no Agent shall be subject to any fiduciary or other implied duties, regardless of whether a Default or an Event of Default has occurred and is continuing, (ii) no Agent shall have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that such Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.01), and (iii) except as expressly set forth in the Loan Documents, no Agent shall have any duty to disclose, or shall be liable for the failure to disclose, any information relating to CMS Energy or any of its Subsidiaries or Affiliates that is communicated to or obtained by the Lender serving as such Agent or any of its Affiliates in any capacity. No Agent shall be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 10.01 or any other provision of this Agreement) or in the absence of its own gross negligence or willful misconduct. Each Agent shall be deemed not to have knowledge of any Default or Event of Default unless and until written notice thereof is given to such Agent by the Borrower or a Lender (in which case such Agent shall promptly give a copy of such written notice to the Lenders and the other Agents). No Agent shall be responsible for or have any duty to ascertain or inquire into (A) any statement, warranty or representation made in or in connection with any Loan Document, (B) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (C) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (D) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (E) the satisfaction of any condition set forth in Article V or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent.

(d) Each Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. Each Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. Each Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

(e) Each Agent may perform any and all its duties and exercise its rights and powers by or through one or more sub-agents appointed by such Agent. Each Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding subsections of this Section 9.01 shall apply to any such sub-agent and to the Related Parties of each Agent and any

such sub-agent, and shall apply to their respective activities in connection with the syndication, if any, of the credit facilities provided for herein as well as activities as an Agent.

(f) Subject to the appointment and acceptance of a successor Agent as provided in this subsection (f), any Agent may resign at any time by notifying the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Agent gives notice of its resignation, then the retiring Agent may, on behalf of the Lenders, appoint a successor Agent which shall be a Lender with an office in New York, New York, or an Affiliate of any such Lender. Upon the acceptance of its appointment as an Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After an Agent's resignation hereunder, the provisions of this Article and Section 10.04 shall continue in effect for the benefit of such retiring Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as an Agent.

(g) Each Lender acknowledges that it has independently and without reliance upon any Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon any Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder. Each Lender agrees (except as provided in Section 10.05) that it will not take any legal action, nor institute any actions or proceedings, against the Borrower or any other obligor hereunder or with respect to any Collateral, without the prior written consent of the Required Lenders. Without limiting the generality of the foregoing, no Lender may accelerate or otherwise enforce its portion of the Loans, or unilaterally terminate its Commitment except in accordance with Section 8.02.

SECTION 9.02. INDEMNIFICATION. The Lenders agree to indemnify each Agent (to the extent not reimbursed by the Borrower), ratably according to the respective Percentages of the Lenders, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against such Agent in any way relating to or arising out of this Agreement or any action taken or omitted by such Agent under this Agreement, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender agrees to reimburse the Agents and the Arranger promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agents in connection with the preparation, syndication (if applicable), execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or

legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Agents are entitled to reimbursement for such expenses pursuant to Section 10.04 but are not reimbursed for such expenses by the Borrower.

SECTION 9.03. CONCERNING THE COLLATERAL AND THE LOAN DOCUMENTS.

(a) Each Lender authorizes and directs the Collateral Agent to enter into the Loan Documents relating to the Collateral for the benefit of the Lenders. Each Lender agrees that any action taken by any Agent or the Required Lenders (or, where required by the express terms of this Agreement, a greater proportion of the Lenders) in accordance with the provisions of this Agreement or the other Loan Documents, and the exercise by any Agent or the Required Lenders (or, where so required, such greater proportion) of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. Without limiting the generality of the foregoing, the Collateral Agent shall have the sole and exclusive right and authority to (i) act as the disbursing and collecting agent for the Lenders with respect to all payments and collections arising in connection with this Agreement and the Loan Documents relating to the Collateral; (ii) execute and deliver each Loan Document relating to the Collateral and accept delivery of each such agreement delivered by the Borrower or any other Loan Party a party thereto; (iii) act as collateral agent for the Lenders for purposes of the perfection of all Liens created by such agreements and all other purposes stated therein; provided, however, the Collateral Agent hereby appoints, authorizes and directs the other Agents and the Lenders to act as collateral sub-agent for the Collateral Agent and the Lenders for purposes of the perfection of all Liens with respect to any property of the Borrower or any of its Subsidiaries at any time in the possession of such Lender, including, without limitation, deposit accounts maintained with, and cash held by, such Lender; (iv) manage, supervise and otherwise deal with the Collateral; (v) take such action as is necessary or desirable to maintain the perfection and priority of the Liens created or purported to be created by the Loan Documents; and (vi) except as may be otherwise specifically restricted by the terms of this Agreement or any other Loan Document, exercise all remedies given to the Collateral Agent or the Lenders with respect to the Collateral under the Loan Documents relating thereto, applicable law or otherwise.

(b) The Administrative Agent and each Lender hereby directs, in accordance with the terms of this Agreement, the Collateral Agent to release any Lien held by the Collateral Agent for the benefit of the Lenders:

(i) against all of the Collateral, upon payment in full of the Obligations of all of the Loan Parties under the Loan Documents and termination of this Agreement;

(ii) against any part of the Collateral sold or disposed of by the Borrower or any of its Subsidiaries, if such sale or disposition is otherwise permitted under this Agreement, as certified to the Collateral Agent by the Borrower, or is otherwise consented to by the Required Lenders;

(iii) against any part of the Collateral consisting of a promissory note, upon payment in full of the Debt evidenced thereby; and/or

(iv) against any of the Collateral and any Grantor upon the occurrence of any event described in Section 8.10 of the Pledge Agreements.

The Administrative Agent and each Lender hereby directs the Collateral Agent to execute and deliver or file such termination and partial release statements and do such other things as are necessary to release Liens to be released pursuant to this Section 9.03(b) promptly upon the effectiveness of any such release.

SECTION 9.04. RELEASE OF GUARANTORS. Upon (x) the liquidation or dissolution of any Guarantor, or sale of all of the capital stock or other ownership interests of any Guarantor, in each case which is permitted pursuant to the terms of any Loan Document or consented to in writing by the Required Lenders or all of the Lenders, as applicable, and upon at least five (5) Business Days' prior written request by the Borrower or (y) the occurrence of any event described in Section 11 of the Guaranty, the Collateral Agent shall (and is hereby irrevocably authorized by the Lenders to) execute such documents as may be necessary to evidence the release of the applicable Guarantor from its obligations under the Guaranty; provided, however, that (i) the Collateral Agent shall not be required to execute any such document on terms which, in the Collateral Agent's opinion, would expose the Collateral Agent to liability or create any obligation or entail any consequence other than the release of such Guarantor without recourse or warranty, and (ii) such release shall not in any manner discharge, affect or impair the Loans, any other Guarantor's obligations under the Guaranty, or, if applicable, any obligations of CMS Energy or any Subsidiary in respect of the proceeds of any such sale retained by CMS Energy or any Subsidiary.

ARTICLE X
MISCELLANEOUS

SECTION 10.01. AMENDMENTS, ETC. No amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Lenders, do any of the following: (i) waive, modify or eliminate any of the conditions specified in Article V, (ii) increase the Commitments of the Lenders that may be maintained hereunder, (iii) reduce or forgive the principal of, or interest on, any Loan, any Applicable Margin, any Commitment Fee Margin or any fees or other amounts payable hereunder (other than fees payable to the Administrative Agent pursuant to Section 2.02(b)), (iv) postpone any date fixed for any payment of principal of, or interest on, any Loan or any fees or other amounts payable hereunder (other than fees payable to the Administrative Agent pursuant to Section 2.02(b)) (except with respect to any modifications of the provisions relating to amounts, timing or application of prepayments of Loans and other Obligations which modification shall require only the approval of the Required Lenders), (v) change the definition of "Required Lenders" contained in Section 1.01 or change any other provision that specifies the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans or the number of Lenders which shall be required for the Lenders or any of them to take any action hereunder, (vi) (vi) amend, waive or modify Section 2.03(b) or this Section 10.01, (vii) release the Collateral Agent's Lien on all of the Collateral or any portion of the Collateral in excess of

$50,000,000 (except as provided in Section 9.03(b)), (viii) extend the Commitment Termination Date or the Termination Date or (ix) amend any provision of Section 4.01(g), 4.05 or 4.07 that provides for or ensures ratable distributions to the Lenders; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by each Agent in addition to the Lenders required above to take such action, affect the rights or duties of any Agent under this Agreement or any other Loan Document; and provided, further, that, without the consent of the "Required Lenders" under the Enterprises 2003-A Credit Agreement (as such term is defined in the Enterprises 2003-A Credit Agreement as in effect on the date hereof), neither the Borrower nor any Lender shall enter into, consent to or approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document if, as a result of such amendment, modification or waiver, the "Lenders" under the Enterprises 2003-A Credit Agreement (as such term is defined in the Enterprises 2003-A Credit Agreement as in effect on the date hereof) would no longer be entitled to the pro rata sharing requirements of Sections 2.03(c), 4.07(b) or 4.08, and any such attempted amendment, modification or waiver shall be null and void (it being understood and agreed that each "Lender" under the Enterprises 2003-A Credit Agreement shall be entitled to enforce the provisions of this proviso). Any request from the Borrower for any amendment, waiver or consent under this Section 10.01 shall be addressed to the Administrative Agent.

SECTION 10.02. NOTICES, ETC. All notices and other communications provided for hereunder and under the other Loan Documents shall be in writing (including telegraphic, facsimile, telex or cable communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered, (i) if to the Borrower or CMS Energy, at its address at c/o CMS Energy Corporation, Fairlane Plaza South, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126, Attention: S. Kinnie Smith, Jr., General Counsel, with a copy to Laura L. Mountcastle, Vice President, Investor Relations and Treasurer, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126; (ii) if to any Bank, at the address set forth on its signature page hereto; (iii) if to any Lender other than a Bank, at its Applicable Lending Office specified in the Lender Assignment pursuant to which it became a Lender; (iv) if to the Administrative Agent with respect to funding or payment of any amounts hereunder, at its address at 2 Penns Way, Suite 200, New Castle, DE 19270, Attn: Dawn Conover, Telephone No. (302) 894-6063, Telecopy No. (302) 894-6120; (v) if to the Administrative Agent for any other reason or to the Collateral Agent, at its address at 388 Greenwich Street, New York, New York 10003, Attn: Nick McKee, Telephone No. (212) 816-8592, Telecopy No. (212) 816-8098; or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, when mailed, telegraphed, telecopied, telexed or cabled, be effective five days after when deposited in the mails, or when delivered to the telegraph company, telecopied, confirmed by telex answerback or delivered to the cable company, respectively, except that notices and communications to any Agent pursuant to Article II, III, or IX shall not be effective until received by such Agent.

SECTION 10.03. NO WAIVER OF REMEDIES. No failure on the part of the Borrower, any Lender or any Agent to exercise, and no delay in exercising, any right hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 10.04. COSTS, EXPENSES AND INDEMNIFICATION.

(a) The Borrower agrees to (i) reimburse on demand all reasonable costs and expenses of each Agent and the Arranger (including reasonable fees and expenses of counsel to the Agents) in connection with (A) the preparation, syndication (if applicable), negotiation, execution and delivery of the Loan Documents and (B) the care and custody of any and all collateral, and any proposed modification, amendment, or consent relating to any Loan Document, and (ii) to pay on demand all reasonable costs and expenses of each Agent and, on and after the date upon which the principal amount outstanding hereunder becomes or is declared to be due and payable pursuant to Section 8.02 or an Event of Default specified in Section 8.01(a) shall have occurred and be continuing, each Lender (including fees and expenses of counsel to the Agents, special Michigan counsel to the Lenders and, from and after such date, counsel for each Lender (including the allocated costs and expenses of in-house counsel)) in connection with the workout, restructuring or enforcement (whether through negotiations, legal proceedings or otherwise) of this Agreement, the other Loan Documents and the other documents to be delivered hereunder.

(b) The Borrower shall indemnify each Agent, the Arranger, each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "INDEMNIFIED PERSON") against, and hold each Indemnified Person harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnified Person, incurred by or asserted against any Indemnified Person arising out of, in connection with, or as a result of (i) the execution or delivery of any Loan Document or any other agreement or instrument contemplated hereby or thereby, the performance by the parties to the Loan Documents of their respective obligations thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or other Extension of Credit or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or release of any Hazardous Substance on or from any property owned or operated by CMS Energy or any of its Subsidiaries, or any Environmental Liability related in any way to CMS Energy or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnified Person is a party thereto; provided that such indemnity shall not, as to any Indemnified Person, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnified Person.

(c) The Borrower's other obligations under this Section 10.04 shall survive the repayment of all amounts owing to the Lenders and the Agents under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Borrower under this Section 10.04 are unenforceable for any reason, the Borrower agrees to make the maximum contribution to the payment and satisfaction thereof which is permissible under applicable law.

SECTION 10.05. RIGHT OF SET-OFF.

(a) Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 8.02 to authorize the Administrative Agent to declare the principal amount outstanding hereunder to be due and payable pursuant to the provisions of Section 8.02, 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 Borrower, against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the Promissory Notes held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or such Promissory Notes, as the case may be, and although such obligations may be unmatured. Each Lender agrees to notify promptly the Borrower after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Lender under this Section 10.05 are in addition to other rights and remedies (including other rights of set-off) which such Lender may have.

(b) The Borrower agrees that it shall have no right of off-set, deduction or counterclaim in respect of its obligations hereunder, and that the obligations of the Lenders hereunder are several and not joint. Nothing contained herein shall constitute a relinquishment or waiver of the Borrower's rights to any independent claim that the Borrower may have against any Agent or any Lender for such Agent's or such Lender's, as the case may be, gross negligence or willful misconduct, but no Lender shall be liable for any such conduct on the part of any Agent or any other Lender, and no Agent shall be liable for any such conduct on the part of any Lender.

SECTION 10.06. BINDING EFFECT. This Agreement shall become effective when it shall have been executed by the Borrower and the Agents and when the Administrative Agent shall have been notified by each Bank that such Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agents and each Lender and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lenders.

SECTION 10.07. ASSIGNMENTS AND PARTICIPATION.

(a) Any Lender may sell participations in all or a portion of its rights and obligations under this Agreement pursuant to subsection (b) below and any Lender may assign all or any part of its rights and obligations under this Agreement pursuant to subsection (c) below.

(b) Any Lender may sell participations to one or more banks or other entities (each a "PARTICIPANT") in all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment and its outstanding Loan), provided that (i) such Lender's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of the Loans of such Lender for all purposes of this Agreement and (iv) the Borrower shall continue to deal solely and directly with such Lender in

connection with such Lender's rights and obligations under this Agreement. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver of any provision of the Loan Documents other than any amendment, modification or waiver with respect to any Loan or Commitment in which such Participant has an interest which would require consent of all of the Lenders pursuant to the terms of Section 10.01 or of any other Loan Document. The Borrower agrees that each Participant shall be deemed to have the right of set-off provided in Section 10.05 in respect of its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, provided that each Lender shall retain the right of set-off provided in Section 10.05 with respect to the amount of participating interests sold to each Participant. The Lenders agree to share with each Participant, and each Participant, by exercising the right of set-off provided in Section 10.05, agrees to share with each Lender, any amount received pursuant to the exercise of its right of set-off, such amounts to be shared in accordance with Section 10.05 as if each Participant were a Lender. The Borrower further agrees that each Participant shall be entitled to the benefits of Sections 4.04 and 4.06 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 10.07(c); provided that (i) a Participant shall not be entitled to receive any greater payment under Section 4.04 or 4.06 than the Lender who sold the participating interest to such Participant would have received had it retained such interest for its own account, unless the sale of such interest to such Participant is made with the prior written consent of the Borrower, and (ii) any Participant not incorporated under the laws of the United States of America or any State thereof agrees to comply with the provisions of Section 4.06 to the same extent as if it were a Lender.

(c) Any Lender may, in the ordinary course of its business and in accordance with applicable law, with the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed), at any time assign to any other Lender or to any Eligible Bank all or any part of its rights and obligations under this Agreement, provided that the minimum principal amount of any such assignment (other than assignments to a Federal Reserve Bank, or to any other Lender, or to any direct or indirect contractual counterparties in swap agreements relating to the Loans to the extent required in connection with the physical settlement of any Lender's obligations pursuant thereto) shall be $1,000,000 (or such lesser amount consented to by the Administrative Agent); provided that, unless such Lender is assigning all of its rights and obligations hereunder, after giving effect to such assignment the assigning Lender shall have Loans in the aggregate of not less than $1,000,000 (unless otherwise consented to by the Administrative Agent).

(d) Any Lender may, in connection with any sale or participation or proposed sale or participation pursuant to this Section 10.07 disclose to the purchaser or Participant or proposed purchaser or Participant any information relating to the Borrower furnished to such Lender by or on behalf of the Borrower, provided that prior to any such disclosure of non-public information, the purchaser or Participant or proposed purchaser or Participant (which Participant is not an affiliate of a Lender) shall agree to preserve the confidentiality of any confidential information (except any such disclosure as may be required by law or regulatory process) relating to the Borrower received by it from such Lender.

(e) Assignments under this Section 10.07 shall be made pursuant to an agreement (a "LENDER ASSIGNMENT") substantially in the form of Exhibit F hereto or in such other form as may be agreed to by the parties thereto and shall not be effective until a $3,500 fee has been paid to the Administrative Agent by the assignee, which fee shall cover the cost of processing such assignment, provided, that such fee shall not be incurred in the event of an assignment by any Lender of all or a portion of its rights under this Agreement to (i) a Federal Reserve Bank or (ii) a Lender or an Eligible Bank or (iii) to any direct or indirect contractual counterparties in swap agreements relating to the Loans to the extent required in connection with the physical settlement of any Lender's obligations pursuant thereto.

(f) Notwithstanding anything to the contrary contained herein, any Lender (a "GRANTING LENDER") may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower, the option to provide to the Borrower all or any part of any Loan that such Granting Lender is obligated to make to the Borrower pursuant to this Agreement; provided that (i) nothing herein shall constitute a commitment by any SPC to make any Loan, (ii) if an SPC elects not to exercise such option or otherwise fails to provide all or any part of such Loan, the Granting Lender shall remain obligated to make such Loan pursuant to the terms hereof, (iii) the Borrower shall not be required to pay any amount under Section 4.06 that is greater than the amount which it would have been required to pay had there been no grant to an SPC and (iv) any SPC (or assignee of an SPC) will comply, if applicable, with the provisions contained in Section 4.06. No grant by any Granting Lender to an SPC agreeing to provide a Loan or the making of such Loan by such SPC shall operate to relieve such Granting Lender of its liabilities and obligations hereunder, except to the extent of the making of such Loan by such SPC. The making of a Loan by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Loan were made by such Granting Lender. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement (all liability for which shall remain with the Granting Lender). In addition, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that any SPC may (i) with notice to, but without the prior written consent of, the Borrower and the Administrative Agent and without paying any processing fee therefor, assign all or a portion of its interests in any Loans to the Granting Lender or to any financial institutions (consented to by the Administrative Agent in its sole discretion) providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Loans and (ii) disclose on a confidential basis any non-public information relating to its Loans to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancement to such SPC. This Section 10.07(f) may not be amended without the written consent of any SPC that holds an option to provide Loans. No recourse under any obligation, covenant, or agreement of the SPC contained in this Agreement shall be had against any shareholder, officer, agent or director of the SPC as such, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise; it being expressly agreed and understood that this Agreement is a corporate obligation of the SPC and no personal liability shall attach to or be incurred by any officer, agent or member of the SPC as such, or any of them under or by reason of any of the obligations, covenants or agreements of the SPC contained in this Agreement, or implied therefrom, and that any and all personal liability for breaches by the SPC of any such obligations, covenants or agreements, either at law or by statute or constitution, of every such shareholder, officer, agent or director is hereby expressly waived by all parties to this Agreement as a

condition of and consideration for the SPC entering into this Agreement; provided, however, that the foregoing shall not relieve any such person or entity of any liability they might otherwise have as a result of fraudulent actions or omissions taken by them. All parties to this Agreement acknowledge and agree that the SPC shall only be liable for any claims that each of them may have against the SPC only to the extent of the SPC's assets. The provisions of this clause shall survive the termination of this Agreement.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(h) The Administrative Agent shall maintain at its address referred to in Section 10.02 a copy of each Lender Assignment delivered to and accepted by it and a register for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time (the "REGISTER"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agents and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

SECTION 10.08. CONFIDENTIALITY. In connection with the negotiation and administration of this Agreement and the other Loan Documents, the Borrower has furnished and will from time to time furnish to the Agents and the Lenders (each, a "RECIPIENT") written information which is identified to the Recipient when delivered as confidential (such information, other than any such information which (i) was publicly available, or otherwise known to the Recipient, at the time of disclosure, (ii) subsequently becomes publicly available other than through any act or omission by the Recipient or (iii) otherwise subsequently becomes known to the Recipient other than through a Person whom the Recipient knows to be acting in violation of his or its obligations to the Borrower, being hereinafter referred to as "CONFIDENTIAL INFORMATION"). The Recipient will not knowingly disclose any such Confidential Information to any third party (other than to those persons who have a confidential relationship with the Recipient), and will take all reasonable steps to restrict access to such information in a manner designed to maintain the confidential nature of such information, in each case until such time as the same ceases to be Confidential Information or as the Borrower may otherwise instruct. It is understood, however, that the foregoing will not restrict the Recipient's ability to freely exchange such Confidential Information with its Affiliates or with prospective Participants in or assignees of the Recipient's position herein, but the Recipient's ability to so exchange Confidential Information shall be conditioned upon any such Affiliate's or prospective Participant's (as the case may be) entering into an agreement as to confidentiality similar to this Section 10.08. It is further understood that the foregoing will not prohibit the disclosure of any or all Confidential Information if and to the extent that such disclosure may be required (1) by a regulatory agency or otherwise in connection with an examination of the Recipient's records by appropriate authorities, (2) pursuant to court order, subpoena or other legal process or in connection with any proceeding, suit or other action relating to any Loan Document or (3) otherwise, as required by law; in the

event of any required disclosure under clause (2) or (3), above, the Recipient agrees to use reasonable efforts to inform the Borrower as promptly as practicable to the extent not prohibited by law. Notwithstanding any other provision of this Agreement, each party (and each Participant pursuant to Section 10.07) (and each employee, representative or other agent of such party (or Participant)) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of the transactions contemplated by the Loan Documents and all materials of any kind (including opinions or other tax analyses) that are provided to such party relating to such U.S. tax treatment and U.S. tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws.

SECTION 10.09. Waiver of Jury Trial. THE BORROWER, CMS ENERGY, THE AGENTS AND THE LENDERS EACH HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

SECTION 10.10. GOVERNING LAW; SUBMISSION TO JURISDICTION. THIS AGREEMENT AND THE PROMISSORY NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (INCLUDING SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAWS OF THE STATE OF NEW YORK, BUT OTHERWISE WITHOUT REGARD TO CONFLICTS OF LAW PRINCIPLES). THE BORROWER, CMS ENERGY, THE LENDERS AND THE AGENTS, EACH (I) IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT SITTING IN NEW YORK CITY IN ANY ACTION ARISING OUT OF ANY LOAN DOCUMENT, (II) AGREES THAT ALL CLAIMS IN SUCH ACTION MAY BE DECIDED IN SUCH COURT, (III) WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM AND (IV) CONSENTS TO THE SERVICE OF PROCESS BY MAIL. A FINAL JUDGMENT IN ANY SUCH ACTION SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE LEGAL PROCESS IN ANY MANNER PERMITTED BY LAW OR AFFECT ITS RIGHT TO BRING ANY ACTION IN ANY OTHER COURT. EACH OF THE BORROWER AND CMS ENERGY AGREES THAT THE AGENTS SHALL HAVE THE RIGHT TO PROCEED AGAINST THE BORROWER, CMS ENERGY OR ITS RESPECTIVE PROPERTY IN A COURT IN ANY LOCATION TO ENABLE THE AGENTS AND THE LENDERS TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER ENTERED IN FAVOR OF THE AGENTS OR ANY LENDER. EACH OF THE BORROWER AND CMS ENERGY AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY ANY AGENT OR ANY LENDER TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF ANY AGENT OR ANY LENDER. EACH OF THE BORROWER AND CMS ENERGY WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH ANY AGENT OR ANY LENDER MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

SECTION 10.11. RELATION OF THE PARTIES; NO BENEFICIARY. No term, provision or requirement, whether express or implied, of any Loan Document, or actions taken or to be taken by any party thereunder, shall be construed to create a partnership, association, or joint venture between such parties or any of them. No term or provision of the Loan Documents shall be construed to confer a benefit upon, or grant a right or privilege to, any Person other than the parties hereto. The Borrower hereby acknowledges that neither any Agent nor any Lender has any fiduciary relationship with or fiduciary duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Agents and the Lenders, on the one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor.

SECTION 10.12. EXECUTION IN COUNTERPARTS. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Agreement.

SECTION 10.13. SURVIVAL OF AGREEMENT. All covenants, agreements, representations and warranties made herein and in the certificates pursuant hereto shall be considered to have been relied upon by the Agents and the Lenders and shall survive the making by the Lenders of the Extensions of Credit and the execution and delivery to the Lenders of any Promissory Notes evidencing the Extensions of Credit and shall continue in full force and effect so long as any Promissory Note or any amount due hereunder is outstanding and unpaid or any Commitment of any Lender has not been terminated.

SECTION 10.14. LIMITATION OF LIABILITY: COMMUNICATIONS. WITH RESPECT TO COMMUNICATIONS DELIVERED PURSUANT TO SECTION 10.15 OF THIS AGREEMENT, SUCH COMMUNICATIONS AND THE PLATFORM ARE PROVIDED "AS IS" AND "AS AVAILABLE". THE CITIGROUP PARTIES DO NOT WARRANT THE ACCURACY, ADEQUACY OR COMPLETENESS OF THE COMMUNICATIONS OR THE PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS OR THE PLATFORM. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE CITIGROUP PARTIES IN CONNECTION WITH THE COMMUNICATIONS OR THE PLATFORM. THE BORROWER HEREBY ACKNOWLEDGES THAT ALTHOUGH THE PRIMARY WEB PORTAL IS SECURED WITH A DUAL FIREWALL AND A USER IDENTIFICATION/PASSWORD AUTHORIZATION SYSTEM AND THE PLATFORM IS SECURED THROUGH A SINGLE USER PER DEAL AUTHORIZATION METHOD WHEREBY EACH USER MAY ACCESS THE PLATFORM ONLY ON A DEAL-BY-DEAL BASIS, THE DISTRIBUTION OF MATERIAL THROUGH AN ELECTRONIC MEDIUM IS NOT NECESSARILY SECURE AND THAT THERE ARE CONFIDENTIALITY AND OTHER RISKS ASSOCIATED WITH SUCH DISTRIBUTION. THE PROVISIONS OF THIS SECTION 10.14 SHALL SURVIVE THE MAKING OF ANY LOAN, THE REPAYMENT THEREOF AND THE TERMINATION OF THIS AGREEMENT AND ANY LOAN DOCUMENT.

SECTION 10.15. PLATFORM AND PRIMARY WEB PORTAL.

(a) The Borrower shall use its commercially reasonable best efforts to transmit to the Administrative Agent all information, documents and other materials that it is obligated to furnish to the Administrative Agent pursuant to this Agreement and the other Loan Documents, including, without limitation, all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding any such communication that (i) relates to a notice of borrowing or other extension of credit or a conversion of an existing interest rate on any Loan or borrowing (including, without limitation, any Notice of Conversion), (ii) relates to the payment of any principal or other amount due hereunder prior to the scheduled date therefor, (iii) provides notice of any Default or Event of Default hereunder or (iv) is required to be delivered to satisfy any condition precedent to the effectiveness of this Agreement and/or any extension of credit hereunder (all such non-excluded communications being referred to herein collectively as "COMMUNICATIONS"), in an electronic/soft medium in a format reasonably acceptable to the Administrative Agent to oploanswebadmin@citigroup.com. In addition, the Borrower shall continue to provide the Communications to the Administrative Agent in the manner specified in this Agreement but only to the extent requested by the Administrative Agent. Each Lender and the Borrower further agree that the Administrative Agent may make the Communications available to the Lenders by posting the Communications on "e-Disclosure" (the "PLATFORM"), the Administrative Agent's internet delivery system that is part of SSB Direct, Global Fixed Income's primary web portal (the "PRIMARY WEB PORTAL").

(b) The Administrative Agent agrees that the receipt of the Communications by the Administrative Agent at its e-mail address set forth in clause (a) above shall constitute effective delivery of the Communications to the Administrative Agent for purposes of this Agreement and under the Loan Documents. Each Lender agrees that notice to it at its e-mail address provided in clause (a) above specifying that Communications have been posted to the Platform shall constitute effective delivery of the Communications to such Lender under this Agreement and under the Loan Documents.

(c) Nothing in this Agreement or any other Loan Document shall prejudice the right of the Administrative Agent or any Lender to give any notice or other communication pursuant hereto or to any other Loan Document in any other manner specified herein or therein.

(d) The provisions of Section 10.15(a) and (b) shall terminate on the date that neither CUSA nor any of the Citigroup Parties is the Administrative Agent.

[Signature pages follow.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CMS ENTERPRISES COMPANY

By: Laura L. Montcastle

Name:
Title:

CMS ENERGY CORPORATION

By: Laura L. Montcastle

Name:
Title:

Signature Page to
Credit Agreement
(Enterprises 2003-B)

CITICORP USA, INC., as Collateral Agent and
as Administrative Agent

By: /s/ Dale R. Goncher

Name: Dale R. Goncher
Title: Director

CITIBANK, N.A., as a Lender

By: /s/ Dale R. Goncher

Name: Dale R. Goncher
Title: Director

Address: 388 Greenwich St.
New York, NY 10013
Attn: Nicholas McKee
Telephone: (212) 816-8592
Fax: (212) 816-8098

Signature Page to
Credit Agreement
(Enterprises 2003-B)

EXHIBIT 10(b)

- --

AMENDED AND RESTATED STOCK PURCHASE AGREEMENT

BY AND AMONG

CMS GAS TRANSMISSION COMPANY,

SOUTHERN UNION COMPANY

AND

SOUTHERN UNION PANHANDLE CORP.

DATED AS OF

MAY 12, 2003

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STOCK PURCHASE AGREEMENT

This AMENDED AND RESTATED STOCK PURCHASE AGREEMENT, dated as of May 12, 2003 (this "Agreement"), is made and entered into by and among CMS Gas Transmission Company, a Michigan corporation (the "Seller"), Southern Union Company, a Delaware corporation ("Southern Union"), and Southern Union Panhandle Corp., a Delaware corporation (the "Buyer").

W I T N E S S E T H:

WHEREAS, Panhandle Eastern Pipe Line Company, a Delaware corporation ("Panhandle"), itself and through its subsidiaries, owns and operates a network of integrated natural gas and condensate pipeline and is engaged in the business of the interstate transportation of natural gas, natural gas storage services, the storage and regasification of liquefied natural gas and the separation and measurement of condensate;

WHEREAS, Seller owns all of the issued and outstanding shares of Panhandle (the "Panhandle Shares");

WHEREAS, Southern Union has formed Buyer for the purpose of effecting the transactions contemplated in this Agreement;

WHEREAS, Seller desires to sell all of the Panhandle Shares;

WHEREAS, Southern Union desires to cause Buyer to purchase all of the Panhandle Shares;

WHEREAS, each of the Boards of Directors or other governing body of each of Seller, Buyer and Southern Union has approved, and deems it advisable and in the best interests of their respective shareholders and partners to consummate the transactions contemplated by, this Agreement upon the terms and subject to the conditions set forth herein;

WHEREAS, Seller, Buyer, Southern Union, AIG Highstar Capital, L.P. ("Highstar"), AIG Highstar II Funding Corp. ("Funding," and together with Highstar, the "AIG Parties") entered into that certain Stock Purchase Agreement (the "Original Purchase Agreement"), dated as of December 21, 2002 (the "Original Date");

WHEREAS, Seller, Buyer, Southern Union and the AIG Parties entered into that certain Amendment Agreement, dated as of May 12, 2003 (the "Amendment Agreement"), amending the Original Purchase Agreement to remove the AIG Parties as parties to the Original Purchase Agreement and terminating the AIG Parties' participation in the sale of Panhandle; and

WHEREAS, in accordance with the terms of the Amendment Agreement, Seller, Buyer and Southern Union shall enter into this Agreement for the sale by Seller of Panhandle to Buyer pursuant to terms that will differ from those set forth in the Original Purchase Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the representations, warranties, covenants and agreements set forth herein, Seller, Buyer and Southern Union, intending to be legally bound hereby, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Specific Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

"1935 Act"	shall have the meaning set forth in Section 3.22.
"743 Schedule"	shall have the meaning set forth in Section 5.7 (f).
"Access and Support Agreement"	shall mean the access and support agreement to be entered into on the Closing Date between Seller and Buyer, substantially in the form of the agreement attached hereto as Exhibit B.
"Action"	shall mean any administrative, regulatory, judicial or other formal proceeding, action, Claim, suit, investigation or inquiry by or before any Governmental Authority, arbitrator or mediator.
"Affected Employees"	shall mean Panhandle Employees on the Closing Date.
"Affiliate"	shall have the meaning set forth in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.
"Agreement"	shall mean this Stock Purchase Agreement, together with the Seller Disclosure Letter, Buyer Disclosure Letter and Exhibits hereto, as the same may be amended or supplemented from time to time in accordance with the provisions hereof.
"AIG Parties"	shall have the meaning set forth in the recitals.
"Amendment Agreement"	shall have the meaning set forth in the recitals.
"Annual Financial Statements"	shall have the meaning set forth in Section 6.2 (i).
"Applicable Law"	shall mean any statute, law, ordinance, executive order, rule or regulation (including a regulation that has been formally promulgated in a rule-making proceeding but, pending final adoption, is in proposed or temporary form having the force of law); guideline or notice having the force of law; or approval,

	permit, license, franchise, judgment, order, decree, injunction or writ of any Governmental Authority applicable to a specified Person or specified property, as in effect from time to time.
"Assumption Agreement"	shall mean the agreement between Buyer and CMS Capital, L.L.C. whereby Buyer shall assume CMS Capital L.L.C.'s obligation pursuant to its note payable to Panhandle dated as of January 1, 2002, substantially in the form of the agreement attached hereto as Exhibit C.
"Auditor"	shall have the meaning set forth in Section 2.5 (b).
"Base Net Working Capital"	shall have the meaning set forth in Section 2.4.
"Base Total Debt"	shall have the meaning set forth in Section 2.4.
"Bonus Accrual"	shall have the meaning set forth in Section 5.6 (e).
"Burdensome Condition"	shall have the meaning set forth in Section 5.4 (b).
"Business Day"	shall mean a day other than a Saturday, Sunday or other day on which banks located in New York City are authorized or required by law to close.
"Business Materials"	shall have the meaning set forth in Section 5.16 (a).
"Buyer"	shall have the meaning set forth in the preamble to this Agreement.
"Buyer Account Plan"	shall have the meaning set forth in Section 5.6 (a).
"Buyer Adjustment"	shall have the meaning set forth in Section 2.5 (c).
"Buyer Indemnified Parties"	shall have the meaning set forth in Section 8.2 (a).
"Buyer Plans"	shall have the meaning set forth in Section 5.6 (d).
"Cap Amount"	shall have the meaning set forth in Section 8.2 (d).
"Casualty Insurance Claims"	shall have the meaning set forth in Section 5.10 (a).
"Centennial"	shall mean Centennial Pipeline, L.L.C., a Delaware limited liability company.

"Claims"	shall mean any and all claims, lawsuits, demands, causes of action, investigations and other proceedings (whether or not before a Governmental Authority).
"Closing"	shall have the meaning set forth in Section 2.2.
"Closing Adjustment Amount"	shall have the meaning set forth in Section 2.5 (a).
"Closing Balance Sheet"	shall have the meaning set forth in Section 2.5 (a).
"Closing Date"	shall have the meaning set forth in Section 2.2.
"CMSGCFS"	shall mean CMS Gulf Coast Field Service, L.L.C., a Michigan limited liability company.
"Code"	shall mean the Internal Revenue Code of 1986, as amended.
"Comparable Employment"	shall have the meaning ascribed to such term in the applicable Separation Plan.
"Confidentiality Agreement"	shall mean the confidentiality agreement entered into by and between AIG Highstar Capital, L.P., a Delaware limited partnership, and CMS Energy Corporation ("Parent"), dated September 20, 2002, as modified by the letter agreement dated December 6, 2002, and the confidentiality agreement entered into by and among Parent, Southern Union and Buyer, dated as of the date hereof.
"Consolidated Income Tax Return"	shall have the meaning set forth in Section 5.7 (b)(ix) hereof.
"Corporate Name Change Transition Period"	shall have the meaning set forth in Section 5.15.
"Damages"	shall mean all demands, Claims, causes of action, suits, judgments, damages, amounts paid in settlement (with the approval of the Indemnifying Party where applicable), penalties, Liabilities, losses or deficiencies, costs and expenses, including reasonable attorney's fees, court costs, expenses of arbitration or mediation, and other out-of-pocket expenses incurred in investigating or preparing the foregoing. "Damages" does not include incidental, indirect or consequential damages, damages for lost profits or other special damages or punitive or exemplary damages; provided, however, that in the case of Third-Party Claims, "Damages" shall be deemed to include all forms of relief, monetary and

otherwise, asserted therein, without any of the foregoing exceptions.

"Determination Date"	shall have the meaning set forth in Section 2.5 (b).
"Disabled Employee"	shall have the meaning set forth in Section 5.6 (b)(i).
"Dispute"	shall have the meaning set forth in Section 9.9.
"Election"	shall have the meaning set forth in Section 5.7 (a)(i).
"Employee Benefit Plans"	shall have the meaning set forth in Section 3.12 (c).
"Encumbrances"	shall mean any Claims, mortgages, pledges, liens, security interests, conditional and installment sale agreements or other title retention agreements, activity and use limitations, easements, deed restrictions, title defects, reservations, encumbrances and charges of any kind, options, subordination agreements or adverse claim of any kind.
"Environmental Laws"	shall mean all foreign, federal, state and local laws, regulations, rules and ordinances relating to pollution or protection of human health or the environment, including laws relating to releases or threatened releases of Hazardous Substances into the environment (including ambient air, surface water, groundwater, land, surface and subsurface strata).
"Environmental Permit"	shall mean any Permit, formal exemption, identification number or other authorization issued by a Governmental Authority pursuant to an applicable Environmental Law.
"ERISA"	shall mean the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.
"ERISA Plan(s)"	shall have the meaning set forth in Section 3.12(a).
"Estimated Adjustment Amount"	shall have the meaning set forth in Section 2.4.
"Estimated Closing Debt"	shall have the meaning set forth in Section 2.3.

"Estimated Closing Net Working Capital Amount"	shall have the meaning set forth in Section 2.3.
"Estimated Purchase Price"	shall have the meaning set forth in Section 2.4.
"Exchange Act"	shall mean the Securities Exchange Act of 1934, as amended.
"Final 743 Schedule"	Shall have the meaning set forth in Section 5.7 (f)(i).
"Final Form 8023"	shall have the meaning set forth in Section 5.7 (a)(ii).
"Financial Statements"	shall mean the Year-End Financial Statements and the Interim Financial Statements.
"Funding"	shall have the meaning set forth in the recitals.
"GAAP"	shall mean United States generally accepted accounting principles as in effect from time to time, applied on a consistent basis.
"Governmental Authority"	shall mean any executive, legislative, judicial, tribal, regulatory, taxing or administrative agency, body, commission, department, board, court, tribunal, arbitrating body or authority of the United States or any foreign country, or any state, local or other governmental subdivision thereof.
"Guardian"	shall mean Guardian Pipeline, L.L.C., a Delaware limited liability company.
"Hazardous Substances"	shall mean any chemicals, materials or substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "hazardous constituents," "restricted hazardous materials," "extremely hazardous substances," "toxic substances," "contaminants" "pollutants," "toxic pollutants," or words of similar meaning and regulatory effect under any applicable Environmental Law.
"Highstar"	shall have the meaning set forth in the recitals.
"HSR Act" shall	have the meaning set forth in Section 6.1 (a).
"Indemnified Party"	shall have the meaning set forth in Section 8.2 (c).
"Indemnifying Party"	shall have the meaning set forth in Section 8.2 (c).

"Initial Termination Date"	shall have the meaning set forth in Section 7.1 (b).
"Insurance Policies"	shall have the meaning set forth in Section 3.21 (a).
"Intellectual Property Agreement"	shall mean the Intellectual Property Agreement to be entered into between Seller and Buyer, as of the Closing Date, attached hereto as Exhibit A.
"Interim Financial Statements"	shall mean the unaudited balance sheet and statement of income as of and for (i) the three months ended March 31, 2002, (ii) the six months ended June 30, 2002, and (iii) the nine months ended September 30, 2002, in each case for Panhandle and the Panhandle Subsidiaries (other than CMSGCFS, but including Centennial and Guardian) on a consolidated basis.
"Kansas Site Adjustment"	shall have the meaning set forth in Section 1.1(a) of the Seller Disclosure Letter.
"Knowledge"	shall mean, as to each of Seller, Panhandle and the Panhandle Subsidiaries, the actual knowledge, after due inquiry, of the persons listed on Section 1.1(b) of the Seller Disclosure Letter, or any Person who replaces any of such listed persons between the date of this Agreement and the Closing Date, and in the case of Buyer and Southern Union, the actual knowledge, after due inquiry, of those persons listed on Section 1.1(b) of the Buyer Disclosure Letter, applicable to Buyer or Southern Union, as the case may be, or any Person who replaces any of such listed persons between the date of this Agreement and the Closing Date.
"Liabilities"	shall mean any and all debts, liabilities, commitments and obligations, whether or not fixed, contingent or absolute, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whether or not required by GAAP to be reflected in financial statements or disclosed in the notes thereto.
"Liens"	shall mean any lien, mortgage, pledge, charge, claim assignment by way of security or similar security interest.
"Listing"	shall mean the listing of the Southern Union Shares on the New York Stock Exchange.
"Material Adverse Effect"	shall mean any change or effect that is materially adverse to the business, financial condition or assets of the business of Panhandle and the Panhandle Subsidiaries, taken as a whole;

provided, however, that Material Adverse Effect shall exclude any change or effect due to (a) negotiation, execution, announcement, and consummation of this Agreement and the transactions contemplated hereby, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners, joint owners or venturers, or employees, (b) any action taken by Seller, Panhandle, the Panhandle Subsidiaries, Buyer or any of their respective representatives or Affiliates or other action required or permitted by the terms of this Agreement or necessary to consummate the transactions contemplated by this Agreement, (c) the general state of the industries in which Panhandle or the Panhandle Subsidiaries operate (including (i) pricing levels, (ii) changes in the international, national, regional or local wholesale or retail markets for natural gas, (iii) changes in the North American, national, regional or local interstate natural gas pipeline systems, and (iv) rules, regulations or decisions of the FERC or the courts affecting the interstate natural gas transmission industry as a whole, or rate orders, motions, complaints or other actions affecting Panhandle or the Panhandle Subsidiaries), except, in all cases for such effects which disproportionately impact Panhandle and the Panhandle Subsidiaries, taken as a whole, (d) general legal, regulatory, political, business, economic, capital market and financial market conditions (including prevailing interest rate levels), or conditions otherwise generally affecting the industries in which Panhandle or the Panhandle Subsidiaries operate, except, in all cases, for such effects which disproportionately impact Panhandle and the Panhandle Subsidiaries, taken as a whole, and (e) any condition described in the Seller Disclosure Letter (but only to the extent set forth in such Seller Disclosure Letter).

"Material Contract" shall have the meaning set forth in Section 3.7 (a).

"Minimum Claim Amount" shall have the meaning set forth in Section 8.2 (d).

"Net Working Capital Amount" shall have the meaning set forth in Section 2.3.

"NGA" shall have the meaning set forth in Section 3.22.

"Organizational Documents" shall mean certificates of incorporation, by-laws, certificates of formation, limited liability company operating agreements, partnership or limited partnership agreements or other

formation or governing documents of a particular entity.

"Original Date"	shall have the meaning set forth in the recitals to this Agreement.
"Original Purchase Agreement"	shall have the meaning set forth in the recitals to this Agreement.
"Panhandle"	shall have the meaning set forth in the recitals to this Agreement.
"Panhandle Employees"	shall mean all employees employed by Panhandle or the Panhandle Subsidiaries including employees on short-term disability, military leave, maternity leave or paternity leave and other approved leaves of absence from active employment.
"Panhandle Shares"	shall have the meaning set forth in the recitals to this Agreement.
"Panhandle Subsidiaries"	shall mean CMS Pan Gas Storage Company, LLC, a Delaware limited liability company (d/b/a Southwest Gas Storage Company); Trunkline Field Services Company, a Delaware Corporation; CMS Panhandle Holdings, LLC, a Delaware limited liability company; CMS Panhandle Storage Company, a Delaware corporation; CMS Trunkline Gas Company, LLC, a Delaware limited liability company; CMS Trunkline Offshore Pipeline Company, LLC, a Delaware limited liability company; CMS Trunkline Deepwater Pipeline Company, LLC, a Delaware limited liability company; Sea Robin Pipeline Company, an unincorporated joint venture; CMS Trunkline Gas Resources, LLC a Delaware limited liability company; MG Ventures Storage, Inc., a Delaware corporation; CMS Panhandle Eastern Resources, Inc., a Delaware corporation; CMS Panhandle Lake Charles Generation Company, LLC, a Delaware limited liability company; CMS Trunkline LNG Company, LLC, a Delaware limited liability company, CMS Trunkline LNG Holdings, LLC, a Delaware limited liability company, Panhandle Partner LLC, a Delaware limited liability company, CMS Panhandle LNG Acquisition Company, a Delaware corporation, DekaTherm Investor Trust, a Delaware trust, CMSGCFS, and CMS Gulf Coast Holdings Company, a Delaware corporation.

Without limiting the foregoing, for purposes of Section 3.16 of this Agreement, a Panhandle Subsidiary shall also include any Subsidiary of a Panhandle Subsidiary and any entity which was merged or combined under state corporate law with,

liquidated into, or converted into a Panhandle Subsidiary or a Subsidiary of a Panhandle Subsidiary.

"PBOPs" shall have the meaning set forth in Section 5.6 (d).

"Permits" shall have the meaning set forth in Section 3.9.

"Permitted Encumbrances" shall mean (a) zoning, planning and building codes and other applicable laws regulating the use, development and occupancy of real property and permits, consents and rules under such laws; (b) encumbrances, easements, rights-of-way, covenants, conditions, restrictions and other matters affecting title to real property which do not materially detract from the value of such real property or materially restrict the use of such real property; (c) leases and subleases of real property; (d) all easements, encumbrances or other matters which are necessary for utilities and other similar services on real property; (e) Encumbrances to secure indebtedness reflected on the Financial Statements, (f) Encumbrances to secure indebtedness incurred in the ordinary course of business, consistent with past practice, after the date thereof, to the extent permitted pursuant to Section 5.1 (b)(xi), (f) Liens for Taxes and other governmental levies not yet due and payable or, if due, (i) not delinquent or (ii) being contested in good faith by appropriate proceedings during which collection or enforcement against the property is stayed and with respect to which adequate reserves have been established and are being maintained to the extent required by GAAP, (g) mechanics', workmen's, repairmen's, materialmen's, warehousemen's, carriers' or other Liens, including all statutory Liens, arising or incurred in the ordinary course of business, (h) original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business, (i) Liens that do not materially interfere with or materially affect the value or use of the respective underlying asset to which such Liens relate, (j) Encumbrances which are capable of being cured through condemnation procedures under the Natural Gas Act at a total cost to Panhandle and the Panhandle Subsidiaries of less than $1 million and (k) Encumbrances which are reflected in any Material Contract.

"Person" shall mean any natural person, corporation, company, general partnership, limited partnership, limited liability partnership, joint venture, proprietorship, limited liability company, or other entity or business organization or vehicle, trust, unincorporated organization or Governmental Authority or any

department or agency thereof.

"Post-Closing Taxes" shall have the meaning set forth in Section 5.7 (b)(iii).

"Pre-Closing Taxes" shall have the meaning set forth in Section 5.7 (b)(iv).

"Pro Forma Adjusted Balance Sheet" shall mean the September 30, 2002 Interim Financial Statements, adjusted to:

(A) reflect, among the other matters reflected in the adjustments set forth in Section 1.1(c)(ii) of the Seller Disclosure Letter, the following pro forma adjustments:

(i) the consolidation of 100 percent of CMS Trunkline LNG Holdings, LLC, following the purchase of Dekatherm Investors Trust's interest therein by Panhandle or a subsidiary of Panhandle,

(ii) the consolidation of 100% of CMSGCFS,

(iii) the elimination of 100% of Panhandle's interest in Centennial,

(iv) the elimination of 100% of Panhandle's interest in Guardian, and

(v) the elimination of all account balances relating to the Supplemental Retirement Plan.

(B) reflect, among the other matters reflected in the adjustments set forth in Section 1.1(c)(ii) of the Seller Disclosure Letter, the following adjustments for purposes of calculating the Net Working Capital Amount:

(i) current assets shall include the non-current portion of the system gas account, as reflected on the applicable balance sheet,

(ii) current assets shall exclude (x) any Tax asset (current or deferred) or (y) any mark to market adjustments related to any swap agreements listed in Section 1.1(c)(i) of the Seller Disclosure Letter, and

(iii) current liabilities shall exclude (w) any Tax liability (current or deferred), (x) any mark to market adjustments related to

any swap agreements listed in Section 1.1(c)(i) of the Seller Disclosure Letter, (y) short term debt and current portions of long term debt or (z) bonus amounts accrued for Affected Employees which will be paid by Buyer, who will be reimbursed by Seller, pursuant to Section 5.6 (e) hereof; and

(C) reflect that current assets and current liabilities relating to amounts owed by (or owed to) Panhandle or the Panhandle Subsidiaries on the one hand to (or by) Seller or any of its Affiliates, other than Panhandle and the Panhandle Subsidiaries, on the other hand shall be excluded; provided, however, that none of the following shall be excluded:

(i) receivables and/or payables for the purchase or sale of natural gas, natural gas liquids and other commodities between Panhandle or the Panhandle Subsidiaries on the one hand, and Seller (or any of its Affiliates, other than Panhandle and the Panhandle Subsidiaries) on the other hand;

(ii) receivables for services rendered in the ordinary course of business by Panhandle or the Panhandle Subsidiaries on the one hand, to Seller (or any of its Affiliates, other than Panhandle and the Panhandle Subsidiaries) on the other hand; and

(iii) payables for services rendered, other than allocated corporate expenses in the ordinary course of business for Panhandle or the Panhandle Subsidiaries on the one hand, by Seller (or any of its Affiliates, other than Panhandle and the Panhandle Subsidiaries) on the other hand.

The Pro Forma Adjusted Balance Sheet, reflecting the adjustments listed above, is set forth in Section 1.1(c)(ii) of the Seller Disclosure Letter.

"Prohibited Transactions" shall have the meaning set forth in Section 5.18.

"Prospectus Supplement"	shall have the meaning set forth in Section 5.22(a).
"Purchase Price"	shall mean the purchase price for the Panhandle Shares as set forth in Section 2.5 (d).
"Real Property"	shall have the meaning set forth in Section 3.11.
"Related Agreements"	shall mean the Transition Services Agreement, the Intellectual Property Agreement, the Access and Support Agreement, the Assumption Agreement, and the Shareholder Agreement.
"Related Companies"	shall mean Lee 8 Storage Partnership, a Michigan general partnership and Atchafalaya Pipeline, L.L.C., a Delaware limited liability company.
"Restated Financials"	shall have the meaning set forth in Section 6.2(i).
"Rights-Of-Way"	shall have the meaning set forth in Section 3.11.
"SEC"	shall have the meaning set forth in Section 4.10.
"Section 5.4 (b) Person"	shall mean any of Southern Union and its Subsidiaries (taken as a whole), or Buyer.
"Securities Act"	shall mean the Securities Act of 1933, as amended.
"Seller"	shall have the meaning set forth in the preamble to this Agreement.
"Seller Adjustment"	shall have the meaning set forth in Section 2.5(c).
"Seller Counterparty"	shall mean each of Seller's Affiliates that executes and delivers any of the Related Agreements.
"Seller Indemnified Parties"	shall have the meaning set forth in Section 8.2(b).
"Seller Plans"	shall have the meaning set forth in Section 5.6 (b).
"Seller Returns"	shall have the meaning set forth in Section 5.7 (b)(i).
"Seller's Marks"	shall have the meaning set forth in Section 5.16.
"Seller's Savings Plan"	shall have the meaning set forth in Section 5.6 (a).
"Separation Plans"	shall mean (i) Separation Allowance Plan for Employees of Panhandle and the Panhandle Subsidiaries, adopted on November 1, 2002; (ii) Executive Separation Allowance Plan

for Employees of Panhandle and the Panhandle Subsidiaries, adopted on November 1, 2002; (iii) Executive Separation Allowance Plan for Designated Officers of Panhandle and the Panhandle Subsidiaries, adopted on November 1, 2002; and (iv) Executive Separation Allowance Plan for Designated Senior Officers of Panhandle Eastern Pipe Line Company, adopted on November 1, 2002.

"Shareholder Agreement"	shall mean the shareholder agreement to be entered into on the Closing Date between Seller and Southern Union, substantially in the form of the agreement attached hereto as Exhibit D.
"Shelf Registration Statement"	shall have the meaning set forth in Section 4.16(b).
"Southern Union"	shall have the meaning set forth in the recitals to this Agreement.
"Southern Union Financial Statements"	shall mean the Southern Union Interim Financial Statements and the Southern Union Year-End Financial Statements.
"Southern Union Interim Financial Statements"	shall mean the unaudited consolidated interim financial statements of Southern Union and the Southern Union Subsidiaries included in Southern Union's quarterly reports on Form 10-Q for the fiscal quarters ended after June 30, 2002.
"Southern Union Material Adverse Effect"	shall mean any change or effect that is materially adverse to the business, financial condition or assets of the business of Southern Union and the Southern Union Subsidiaries, taken as a whole; provided, however, that Southern Union Material Adverse Effect shall exclude any change or effect due to (a) negotiation, execution, announcement, and consummation of this Agreement and the transactions contemplated hereby, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, partners, joint owners or venturers, or employees, (b) any action taken by Southern Union, Buyer or any of their respective representatives or Affiliates or other action required or permitted by the terms of this Agreement or necessary to consummate the transactions contemplated by this Agreement, (c) the general state of the industries in which Southern Union or the Southern Union Subsidiaries operate (including (i) pricing levels, (ii) changes in the international, national, regional or local wholesale or retail markets for natural gas, (iii) changes in the North American, national, regional or local natural gas distribution business, and (iv) rules, regulations or decisions of state public utility commissions or the courts

affecting the local natural gas distribution industry as a whole, or rate orders, motions, complaints or other actions affecting Southern Union or the Southern Union Subsidiaries), except, in all cases for such effects which disproportionately impact Southern Union and the Southern Union Subsidiaries, taken as a whole, (d) general legal, regulatory, political, business, economic, capital market and financial market conditions (including prevailing interest rate levels), or conditions otherwise generally affecting the industries in which Southern Union or the Southern Union Subsidiaries operate, except, in all cases, for such effects which disproportionately impact Southern Union and the Southern Union Subsidiaries, taken as a whole, and (e) any condition described in the Buyer Disclosure Letter (but only to the extent set forth in such Buyer Disclosure Letter).

"Southern Union Shares" shall mean 3 million shares of Southern Union common stock, par value $1.00 per share, registered with the SEC pursuant to the Shelf Registration Statement and listed on the New York Stock Exchange.

"Southern Union Subsidiaries" shall mean the subsidiaries listed in Southern Union's annual report on Form 10-K for the year ended June 30, 2002.

"Southern Union Year-End Financial Statements" shall mean the audited consolidated financial statements of Southern Union and the Southern Union Subsidiaries included in its annual report on Form 10-K for the year ended June 30, 2002.

"Straddle Period" shall have the meaning set forth in Section 5.7 (b)(ii).

"Straddle Period Return(s)" shall have the meaning set forth in Section 5.7 (b)(ii).

"Straddle Statement" shall have the meaning set forth in Section 5.7 (b)(ii).

"Subsidiary" of any entity means, at any date, any Person (a) the accounts of which would be consolidated with and into those of the applicable entity in such entity's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date or (b) of which securities or other ownership interests representing more than fifty percent (50%) of the equity or more than fifty percent (50%) of the ordinary voting power or, in the case of a partnership, more than fifty percent (50%) of the general partnership interests or more than fifty percent (50%) of the profits or losses of which are, as of such date, owned,

	controlled or held by the applicable entity or one or more subsidiaries of such entity.
"Survival Period"	shall have the meaning set forth in Section 8.1 (c).
"Tax Claim"	shall have the meaning set forth in Section 5.7 (e)(i).
"Tax Indemnified Party"	shall have the meaning set forth in Section 5.7 (e)(i).
"Tax Indemnifying Party"	shall have the meaning set forth in Section 5.7 (e)(i).
"Tax Return"	shall mean any report, return, declaration, or other information required to be supplied to a Governmental Authority in connection with Taxes including any claim for refund or amended return.
"Taxes"	shall mean all taxes, levies or other like assessments, including net income, gross income, gross receipts, capital gains, profits, environmental, excise, value added, ad valorem, real or personal property, withholding, asset, sales, use, transfer, registration, license, payroll, transaction, capital, business, occupation, corporation, employment, withholding, wage, net worth, franchise, minimum, alternative minimum, and estimated taxes, or other governmental taxes imposed by or payable to any foreign, Federal, state or local taxing authority, whether computed on a separate, consolidated, unitary, combined or any other basis; and in each instance such term shall include any interest, penalties or additions to tax attributable to any such Tax.
"Third-Party Claim"	shall have the meaning set forth in Section 8.4 (a).
"Threshold Amount"	shall have the meaning set forth in Section 8.2 (d).
"Total Debt"	shall mean all short-term and long-term indebtedness of Panhandle and the Panhandle Subsidiaries as reflected on a consolidated balance sheet, prepared in accordance with GAAP, of Panhandle and the Panhandle Subsidiaries as of a particular date, but excluding any debt payable to Seller or Seller's Affiliates by Panhandle or a Panhandle Subsidiary which is eliminated by Panhandle or a Panhandle Subsidiary prior to the Closing Date in accordance with Section 5.8.
"Transfer Tax(es)"	shall have the meaning set forth in Section 5.7 (g).
"Transition Services Agreement"	shall mean the transition services agreement to be entered into on the Closing Date between Seller and Buyer in a form

mutually acceptable to both parties.

"Transitional License"	shall have the meaning set forth in Section 5.16.
"Treasury Regulation"	shall mean the income Tax regulations, including temporary and proposed regulations, promulgated under the Code, as amended.
"Year-End Financial Statements"	shall mean the audited balance sheet and statement of income, as of and for the twelve (12) months ended December 31, 2001 for Panhandle and the Panhandle Subsidiaries (other than CMSGCFS, but including Centennial and Guardian) on a consolidated basis.

ARTICLE II

SALE AND PURCHASE

Section 2.1 Agreement to Sell and Purchase.

Subject to the terms and conditions of this Agreement, at the Closing, Seller shall sell, convey, assign, transfer and deliver to Buyer the Panhandle Shares, free and clear of all Encumbrances, and Buyer shall purchase and accept such Panhandle Shares from Seller.

Section 2.2 Time and Place of Closing.

Upon the terms and subject to the satisfaction of the conditions contained in this Agreement, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, 4 Times Square, New York, New York, at 10:00 a.m., local time, on the fourteenth (14th) day following the date on which all of the conditions set forth in Article VI of this Agreement have been satisfied or waived (other than those conditions contemplated to be satisfied at the Closing) (or June 30, 2002, if such fourteenth day would be July 1, 2003 or later), or at such other place or time as Buyer and Seller may mutually agree in writing. The date and time at which the Closing actually occurs is hereinafter referred to as the "Closing Date."

Section 2.3 Pre-Closing Matters.

At least five (5) Business Days prior to Closing, Seller shall deliver to Buyer its good faith estimate of the Net Working Capital Amount at Closing (the "Estimated Closing Net Working Capital Amount") and its good faith estimate of the amount of Total Debt at Closing (the "Estimated Closing Debt"), in each case together with a reasonably detailed computation of such estimates, which shall be computed in accordance with GAAP (subject to the exceptions from GAAP relating to the adjustments

reflected on the Pro Forma Adjusted Balance Sheet) and on a basis consistent with the preparation of the Pro Forma Adjusted Balance Sheet. "Net Working Capital Amount" shall mean (a) the current assets of Panhandle and the Panhandle Subsidiaries minus (b) the current liabilities of Panhandle and the Panhandle Subsidiaries, with both current assets and current liabilities determined in accordance with GAAP, applied in a manner consistent with the preparation of the Pro Forma Adjusted Balance Sheet (and subject to the exceptions from GAAP relating to the adjustments reflected on the Pro Forma Adjusted Balance Sheet), except for the calculation of Estimated Closing Net Working Capital and Net Working Capital Amount as of the Closing Date with respect to System Gas Inventory and Imbalance Related Accounts, which is addressed below. For purposes of this Section 2.3, capitalized terms used but not otherwise defined herein shall be deemed to refer to the corresponding line items in Sections 1.1(b)(ii) or 1.1(b)(iii) of the Seller Disclosure Letter, as applicable. For purposes of the Net Working Capital calculation, System Gas Inventory and Imbalance Related Accounts shall be valued at $29,114,046 plus (less) the excess (deficiency) of the actual on hand quantity of Net System Gas Owned at the closing date less the net quantity of system gas owned at September 30, 2002 (10,789,959 MMBTU) times the average of the closing Henry Hub spot market price for natural gas for the five business days prior to the Closing Date as reported in the Wall Street Journal, except for purposes of the calculation of the Estimated Closing Net Working Capital which shall be valued based on the quantity of Net System Gas Owned ten (10) days prior to the Closing Date times the average closing Henry Hub spot market price for natural gas for the five (5) business days ended ten (10) days prior to the Closing Date. System Gas Inventory and Imbalance Related Accounts shall be defined as System Gas Inventory, Accounts Receivable - Exchanges, Accounts Payable - Exchanges, Fuel Tracker and Line Pack as shown in the Section 1.1(c)(ii) of the Seller Disclosure Letter. Net System Gas Owned shall be defined as System Gas Inventory plus Accounts Receivable - Exchanges, Accounts Payable - Exchange, including Fuel Tracker and Line Pack as shown in the Section 1.1(c)(iii) of the Seller Disclosure Letter. Seller shall deliver to Buyer its calculations of the Estimated Purchase Price and the Estimated Adjustment Amount within five (5) Business Days prior to the Closing Date and shall provide upon reasonable advance notice, Buyer and Buyer's accountants prompt and full reasonable access during normal business hours to the personnel, accountants and books and records of Seller, to the extent reasonably related to the preparation of the Estimated Purchase Price and the Estimated Adjustment Amount (and the elements of such calculation). Buyer and Seller shall in good faith attempt to resolve any objections of Buyer to such calculation of the Estimated Adjustment Amount; if Buyer and Seller are in disagreement with respect to the calculation of the Estimated Adjustment Amount as of the Closing, the Estimated Purchase Price paid pursuant to Section 2.4 shall be based on the amount of the Estimated Adjustment Amount delivered to Buyer pursuant to this Section 2.3, as adjusted to reflect any changes to the Estimated Adjustment Amount agreed to by the parties prior to Closing.

Section 2.4 Estimated Purchase Price.

In consideration of the aforesaid sale, conveyance, assignment, transfer and delivery to Buyer of the Panhandle Shares and the agreement of Seller to enter into this Agreement, and subject to the adjustments set forth in Section 2.5, at the Closing, Buyer

shall (a) pay in full to Seller (or its designated Affiliates) an amount in cash equal to (i) $584,300,000 plus (ii) the Estimated Adjustment Amount plus (iii) the Kansas Site Adjustment (the result of such calculation, the "Estimated Purchase Price"), and (b) deliver to Seller the Southern Union Shares. The "Estimated Adjustment Amount" shall mean the amount equal to (a) the Estimated Closing Net Working Capital Amount, minus (b) the Net Working Capital Amount as of September 30, 2002, as shown in the Pro Forma Adjusted Balance Sheet ($92,934,493) (the "Base Net Working Capital"), minus (c) the Estimated Closing Debt, plus (d) the amount of Total Debt as of September 30, 2002 ($1,165,519,106) (the "Base Total Debt"). The calculation of the Estimated Adjustment Amount may result in an amount that is positive or negative. The Estimated Purchase Price will be payable at the Closing by wire transfer of same day funds to an account or accounts and in such amounts as designated by Seller. Seller shall designate such account or accounts and amounts in writing at least two (2) Business Days prior to Closing.

Section 2.5 Post-Closing Adjustment.

(a) As soon as reasonably practicable following the Closing Date, and in any event within sixty (60) days thereafter, Seller shall prepare and deliver to Buyer (i) a consolidated balance sheet of Panhandle and the Panhandle Subsidiaries as of the close of business on the date immediately prior to the Closing Date (the "Closing Balance Sheet"), and (ii) a calculation of the "Closing Adjustment Amount," which shall mean the amount equal to (a) the Net Working Capital Amount as of the Closing Date, as reflected on the Closing Balance Sheet, minus (b) the amount of the Base Net Working Capital Amount, plus (c) the amount of the Base Total Debt, minus (d) the Total Debt as of the Closing Date, as reflected on the Closing Balance Sheet, which calculation may result in an amount that is positive or negative (together with reasonable back-up information providing the basis for such balance sheet and calculations). In order for Seller to prepare the Closing Balance Sheet and calculate the Closing Adjustment Amount, Buyer will provide to Seller and Seller's accountants prompt and full access to the personnel, accountants and books and records of Panhandle and the Panhandle Subsidiaries (and shall provide copies of the applicable portions of such books and records as may be reasonably requested), to the extent reasonably related to the preparation of the Closing Balance Sheet and the calculation of the Closing Adjustment Amount (and the elements of such calculation). In order for Buyer to review the Closing Balance Sheet and review the calculation of the Closing Adjustment Amount, Seller will provide to Buyer and Buyer's accountants prompt and full access to the personnel, accountants and books and records used by Seller (and shall provide copies of the applicable portions of such books and records as may be reasonably requested), to the extent reasonably related to the preparation of the Closing Balance Sheet and the calculation of the Closing Adjustment Amount (and the elements of such calculation). The Closing Balance Sheet and the calculation of Closing Adjustment Amount shall be prepared in accordance with GAAP, applied in a manner consistent with the preparation of the Pro Forma Adjusted Balance Sheet (and subject to the exceptions from GAAP relating to the adjustments reflected on the Pro Forma Adjusted Balance Sheet).

(b) Disputes. If Buyer disagrees with the calculation of the Closing Adjustment Amount, it shall notify Seller of such disagreement in writing within thirty (30) days after its receipt of the Closing Balance Sheet, which notice shall set forth in detail the particulars of such disagreement. In the event that Buyer does not provide such a notice of disagreement within such thirty (30) day period, Buyer shall be deemed to have accepted the Closing Balance Sheet and the calculation of the Closing Adjustment Amount (and each element of such calculation), respectively delivered by Seller, which shall be final, binding and conclusive for all purposes hereunder. In the event any such notice of disagreement is timely provided by Buyer, Buyer and Seller shall use their reasonable best efforts for a period of thirty (30) days (or such longer period as they may mutually agree) to resolve any disagreements with respect to the calculation of the Closing Adjustment Amount (or any element thereof). If, at the end of such period, they are unable to resolve such disagreements, then, upon the written request of either party, an independent accounting firm (not providing services to Buyer or Seller) acceptable to Buyer and Seller (the "Auditor") shall resolve any remaining disagreements. The Auditor shall determine as promptly as practicable (but in any event within sixty (60) days) following the date on which such dispute is referred to the Auditor, based solely on written submissions, which shall be forwarded by Buyer and Seller to the Auditor within thirty (30) days following the Auditor's selection, whether the Closing Balance Sheet was prepared in accordance with the standards set forth in this Section 2.5 with respect to any items identified as disputed in the notice of disagreement and not previously resolved by Buyer and Seller, and if not, whether and to what extent (if any) the Closing Adjustment Amount (or any element thereof) requires adjustment. Each party shall bear its own expenses and the fees and expenses of its own representatives and experts in connection with the preparation, review, dispute (if any) and final determination of the Closing Balance Sheet and the Closing Adjustment Amount. The parties shall share the costs, expenses and fees of the Auditor in inverse proportion to the extent to which their respective positions are sustained (e.g., if Seller's position is one hundred percent (100%) sustained, it shall bear none of such costs, expenses, and fees of the Auditor). The determination of the Auditor shall be final, conclusive and binding on the parties. The Auditor's determination of the amount of the Closing Adjustment Amount shall then be deemed to be the Closing Adjustment Amount for purposes of this Section 2.5. The date on which such items are accepted or finally determined in accordance with this Section 2.5 is referred as to the "Determination Date." As used in this Agreement, the term "reasonable best efforts" shall not include efforts which require the performing party (i) to do any act that is unreasonable under the circumstances, (ii) to make any capital contribution not expressly contemplated hereunder, (iii) to amend or waive any rights under this Agreement, or (iv) to incur or expend any funds other than reasonable out-of-pocket expenses incurred in satisfying its obligation hereunder, including the reasonable fees, expenses and disbursements of accountants, counsel and other professionals.

(c) Purchase Price Adjustment. If the Estimated Adjustment Amount is (x) less than the Closing Adjustment Amount, then the Buyer shall pay to Seller an amount equal to such shortfall (the "Buyer Adjustment") or (y) greater than the Closing Adjustment Amount, then Seller shall pay to Buyer an amount equal to such excess (the "Seller Adjustment").

(d) Adjustment Amounts. The Estimated Purchase Price minus the Seller Adjustment, if any, plus the Buyer Adjustment, if any, shall equal the "Purchase Price." The Seller Adjustment, if any, and the Buyer Adjustment, if any, shall bear simple interest at a rate equal to daily average one month LIBOR plus one percent (1%) per annum measured from the Closing Date to the date of such payment. Amounts owing by Seller, if any, pursuant to this Section 2.5 shall be paid by Seller by delivery of immediately available funds to an account designated by Buyer within five (5) Business Days after the Determination Date. Amounts owing by Buyer, if any, pursuant to this Section 2.5 shall be paid by Buyer by delivery of immediately available funds to an account designated by Seller within five (5) Business Days after the Determination Date.

Section 2.6 Deliveries by Seller at the Closing.

At the Closing, Seller shall deliver, or cause its appropriate Affiliates to deliver, to Buyer:

(a) stock certificates representing one hundred percent (100%) of the Panhandle Shares;

(b) a cross-receipt acknowledging the receipt of the Purchase Price and the Southern Union Shares;

(c) a certificate from an authorized officer of Seller, dated as of the Closing Date, to the effect that the conditions set forth in Section 6.2 (a), Section 6.2 (c) and Section 6.2 (j) of this Agreement have been satisfied;

(d) all other previously undelivered documents, including duly executed original copies of the Related Agreements, required by this Agreement to be delivered by Seller or its Affiliates to Buyer at or prior to the Closing;

(e) resignations of each of the directors and officers of Panhandle and the Panhandle Subsidiaries who are not employees of Panhandle or any of the Panhandle Subsidiaries; and

(f) all such other deeds and instruments of sale, assignment, conveyance and transfer and releases, consents and waivers as in the reasonable opinion of Buyer may be necessary to effect the sale, transfer, assignment, conveyance and delivery of the Panhandle Shares to Buyer in accordance with this Agreement and the Related Agreements, and where necessary or desirable, in recordable form, in each case, as is necessary to effect the transactions contemplated by this Agreement.

Section 2.7 Deliveries by Buyer at the Closing.

At the Closing, Buyer and Southern Union shall deliver to Seller:

(a) the Estimated Purchase Price in US-dollar-denominated funds by wire transfer of immediately available funds or by such other means as are agreed to by Seller and Buyer:

(b) stock certificates representing one hundred percent (100%) of the Southern Union Shares;

(c) a cross-receipt acknowledging receipt of the Panhandle Shares;

(d) a certificate from an authorized officer of Buyer and Southern Union, dated as of the Closing Date, to the effect that the conditions set forth in Section 6.3 (a) and Section 6.3 (c) of this Agreement have been satisfied; and

(e) all other previously undelivered documents, including duly executed original copies of the Related Agreements, required by this Agreement to be delivered by Buyer or Southern Union to Seller at or prior to the Closing.

Section 2.8 Cooperation with Respect to Like-Kind Exchange.

With the consent of the Seller, which consent shall not unreasonably be withheld, the rights of Buyer under this Agreement may be assigned in whole or in part to Southern Union. In the event Seller consents to such assignment to Southern Union pursuant to Section 9.6 of this Agreement, Buyer may desire that the transactions contemplated in this Agreement and the Related Agreements be accomplished in a manner enabling Southern Union's purchase to qualify as part of a like-kind exchange of property covered by Section 1031 of the Code. Seller agrees to cooperate and consider in good faith any reasonable request or proposal made by Southern Union in connection with efforts to effect such like-kind exchange, including any reasonable use of a "qualified intermediary", an "exchange accommodation titleholder" or a "qualified exchange accommodation agreement" within the meaning of the United States Treasury Regulations and related authority; provided, however, that Seller shall have no obligation to take (or agree to take) any action that, in its reasonable discretion, may create any adverse consequences to the Seller, including but not limited to adverse Tax, financial or regulatory consequences for the transactions contemplated by this Agreement and the Related Agreements or may cause an unreasonable delay in the consummation of the transactions contemplated by this Agreement and the Related Agreements. Buyer agrees that it will reimburse Seller for any out-of-pocket costs incurred in connection its cooperation, including but not limited to legal fees, opinions of counsel or other costs incurred in implementing Buyer's proposals. Notwithstanding anything herein, the structuring of the transactions in a manner that qualifies the transactions as part of a like-kind exchange shall not be a condition to Closing.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer and Southern Union as follows:

Section 3.1 Corporate Organization; Qualification.

(a) Seller and Panhandle are each corporations duly organized, validly existing and duly qualified or licensed and in good standing under the laws of the state or jurisdiction of their respective incorporation and have all requisite corporate power, as applicable, to own, lease and operate their respective properties and to carry on their respective businesses as currently conducted. Seller and Panhandle are each duly qualified or licensed to do business as foreign corporations, and are, and have been, in good standing in each jurisdiction in which the nature of the respective businesses conducted by them or the property they own, lease or operate requires them to so qualify, be licensed or be in good standing, except for such failures to be qualified, licensed or in good standing that would not have a Material Adverse Effect. True and correct copies of the Organizational Documents of Panhandle and the Panhandle Subsidiaries with all amendments thereto to the date hereof, have been made available by Seller to Buyer or its representatives.

(b) The Panhandle Subsidiaries are each corporations, or other entities, as applicable, duly organized, validly existing and duly qualified or licensed and in good standing under the laws of the state or jurisdiction of their respective incorporation or formation and have all requisite corporate or other power, as applicable, to own, lease and operate their respective properties and to carry on their respective businesses as currently conducted. The Panhandle Subsidiaries are each duly qualified or licensed to do business as foreign corporations, or other entities, as applicable, and are, and have been, in good standing in each jurisdiction in which the nature of the respective businesses conducted by them or the property they own, lease or operate requires them to so qualify, be licensed or be in good standing except where the failure to be so authorized, qualified or licensed and in good standing would not have a Material Adverse Effect. Section 3.1 (b) of the Seller Disclosure Letter sets forth all of the jurisdictions in which Panhandle and the Panhandle Subsidiaries are qualified to do business.

(c) Section 3.1 (c) of the Seller Disclosure Letter sets forth the ownership interest of Seller (or any Subsidiary) in each Related Company.

Section 3.2 Authority Relative to this Agreement.

Seller has full corporate power and authority to execute and deliver this Agreement, the Related Agreements and the other agreements, documents and instruments to be executed and delivered by it in connection with this Agreement or the Related Agreements, and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement, the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements and the consummation of the transactions contemplated hereby and thereby have been duly and validly authorized by all the necessary action on the part of Seller, and no other corporate or other proceedings on the part of Seller are necessary to authorize this Agreement, the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements or to

consummate the transactions contemplated hereby and thereby. This Agreement has been, and the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements as of the Closing Date will be, duly and validly executed and delivered by Seller or the Seller Counterparties, as applicable, and assuming that this Agreement, the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements constitute legal, valid and binding agreements of Buyer and Southern Union, as applicable, are (in the case of this Agreement) or will be as of the Closing Date (in the case of the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements) enforceable against Seller and the Seller Counterparties in accordance with their respective terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally or general principles of equity.

Section 3.3 Panhandle Shares.

(a) The Panhandle Shares are duly authorized, validly issued and fully paid and were not issued in violation of any preemptive rights. Except as set forth in Section 3.3(a) of the Seller Disclosure Letter, (i) there are no shares of Panhandle authorized, issued or outstanding or reserved for any purpose, and (ii) there are no (A) existing options, warrants, calls, rights of first refusal, preemptive rights, subscriptions or other rights, agreements, arrangements or commitments of any character, relating to the Panhandle Shares, obligating Seller or any of its Affiliates to issue, transfer or sell, or cause to be issued, transferred or sold, any of the Panhandle Shares, (B) outstanding securities of Seller or its Affiliates that are convertible into or exchangeable or exercisable for any of the Panhandle Shares, (C) options, warrants or other rights to purchase from Seller or its Affiliates any such convertible or exchangeable securities or (D) other than this Agreement, contracts, agreements or arrangements of any kind relating to the issuance of any of the Panhandle Shares, or any such options, warrants or rights, pursuant to which, in any of the foregoing cases, Seller or its Affiliates are subject or bound.

(b) Except as set forth in Section 3.3 (b) of the Seller Disclosure Letter, Seller owns all of the issued and outstanding Panhandle Shares and has good, valid and marketable title to the Panhandle Shares, free and clear of all Encumbrances or other defects in title, and the Panhandle Shares have not been pledged or assigned to any Person. At the Closing, the Panhandle Shares will be transferred to Buyer free and clear of all Encumbrances. The Panhandle Shares owned by Seller are not subject to any restrictions on transferability other than those imposed by this Agreement and by applicable securities laws.

(c) Except for the ownership of the Panhandle Subsidiaries and the Related Companies, Panhandle does not have any subsidiaries or any stock or other equity interest (controlling or otherwise) in any corporation, limited liability company, partnership, joint venture or other entity. Except as set forth in Section 3.3 (c)(i) of the

Seller Disclosure Letter, all of the outstanding shares of capital stock or other ownership interests, as applicable, of each of the Panhandle Subsidiaries are owned directly or indirectly by Panhandle, free and clear of all Encumbrances, and are validly issued, fully paid and nonassessable. At the Closing, all of such shares or other ownership interests will be free and clear of all Encumbrances. Except as set forth in Section 3.3 (c)(ii) of the Seller Disclosure Letter, the number of outstanding shares of capital stock or other ownership interests, as applicable, of each of the Related Companies indicated on Section 3.1 (c) of the Seller Disclosure Letter are owned directly or indirectly by Panhandle, free and clear of all Encumbrances or other defects in title, and such shares or ownership interests have not been pledged or assigned to any Person. Except as set forth in Section 3.3 (c)(iii) of the Seller Disclosure Letter, (i) there are no shares of a Panhandle Subsidiary authorized, issued or outstanding or reserved for any purpose, and (ii) there are no (A) existing options, warrants, calls, rights of first refusal, preemptive rights, subscriptions or other rights, agreements, arrangements or commitments of any character, relating to the shares of a Panhandle Subsidiary, obligating Panhandle or any of its Affiliates to issue, transfer or sell, or cause to be issued, transferred or sold, any of the shares of a Panhandle Subsidiary, (B) outstanding securities of Panhandle or its Affiliates that are convertible into or exchangeable or exercisable for any of the shares of a Panhandle Subsidiary, or (C) options, warrants or other rights to purchase from Panhandle or its Affiliates any such convertible or exchangeable securities.

Section 3.4 Consents and Approvals.

Except as set forth in Section 3.4 of the Seller Disclosure Letter, Seller requires no consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority, or any other Person as a condition to the execution and delivery of this Agreement or the performance of the obligations hereunder, except where the failure to obtain such consent, approval or authorization of, or filing of, registration or qualification with, any Governmental Authority, or any other Person would not materially and adversely impact the operations, as currently conducted, of Panhandle and the Panhandle Subsidiaries, taken as a whole.

Section 3.5 No Conflict or Violation.

Except as set forth in Section 3.5 of the Seller Disclosure Letter, the execution, delivery and performance by the Seller of this Agreement does not:

(a) violate or conflict with any provision of the organizational documents or bylaws of Seller, Panhandle or the Panhandle Subsidiaries;

(b) violate any applicable provision of a law, statute, judgment, order, writ, injunction, decree, award, rule or regulation of any Governmental Authority, except where such violation would not have a Material Adverse Effect; or

(c) violate, result in a breach of, constitute (with due notice or lapse of time or both) a default or cause any obligation, penalty or premium to arise or accrue under any Material Contract, lease, loan, mortgage, security agreement, trust

indenture or other material agreement or instrument to which Panhandle or the Panhandle Subsidiaries are a party or by which any of them is bound or to which any of their respective properties or assets is subject, except as would not have a Material Adverse Effect.

Section 3.6 Financial Information.

Seller has previously furnished to Buyer the Financial Statements. Except as set forth in Section 3.6 of the Seller Disclosure Letter, as of the Original Date, the Financial Statements present fairly in all material respects, in accordance with GAAP consistently applied, on a consolidated basis, the financial condition and results of operation of Panhandle and the Panhandle Subsidiaries (other than CMSGCFS, but including Centennial and Guardian) as of the date thereof and for the periods set forth therein, except for the absence of footnotes and as otherwise noted therein, and subject, in the case of the Interim Financial Statements, to normal recurring year-end adjustments which are not material either individually or in the aggregate. At Closing, the Restated Financials will present fairly in all material respects, in accordance with GAAP consistently applied, on a consolidated basis, the financial condition and results of operation of Panhandle and the Panhandle Subsidiaries (other than CMSGCFS, but including Centennial and Guardian) as of the date thereof and for the periods set forth therein, except for the absence of footnotes and as otherwise noted therein, and subject, in the case of the Interim Financial Statements, to normal recurring year-end adjustments which are not material either individually or in the aggregate.

Section 3.7 Contracts.

(a) Section 3.7 (a) of the Seller Disclosure Letter sets forth a list, as of the Original Date, of each material contract and lease to which any of Panhandle or the Panhandle Subsidiaries is a party, other than (i) any purchase or sale orders arising in the ordinary course of business, (ii) any contract involving the payment or receipt of less than $1,000,000 in the aggregate and (iii) any contract listed in any other Section of the Seller Disclosure Letter (each contract set forth in Section 3.7 (a) of the Seller Disclosure Letter being referred to herein as a "Material Contract").

(b) Section 3.7 (b) of the Seller Disclosure Letter sets forth a list, as of the Original Date, of each contract that any of Panhandle or the Panhandle Subsidiaries has with an Affiliate, other than with respect to any purchases and sales arising in the ordinary course of business.

(c) Except as set forth in Section 3.7 (c) of the Seller Disclosure Letter, each Material Contract is a valid and binding agreement of Panhandle or the Panhandle Subsidiaries, as applicable, and, to the Knowledge of Seller, is in full force and effect.

(d) Except as set forth in Section 3.7 (d) of the Seller Disclosure Letter, Seller has no Knowledge of any default under any Material Contract, other than defaults which have been cured or waived and which would not have a Material Adverse

Effect. Panhandle or a Panhandle Subsidiary, as the case may be, and, to Seller's Knowledge, the other party(ies) to any Material Contract, have performed in all respects all obligations required to be performed by them under any Material Contract, except where such non-performance would not have a Material Adverse Effect. Seller has made available to Buyer or its representatives true and complete originals or copies of all the Material Contracts.

Section 3.8 Compliance with Law.

Except for Environmental Laws and Tax laws, which are the subject of Section 3.15 and Section 3.16 respectively, and except as set forth in Section 3.8 of the Seller Disclosure Letter, since December 31, 1999, Seller, Panhandle and the Panhandle Subsidiaries have complied with all federal, state, local or foreign laws, statutes, ordinances, rules, regulations, judgments, orders, writs, injunctions or decrees of any Governmental Authority applicable to their respective properties, assets and businesses except where such noncompliance would not have a Material Adverse Effect. None of Seller or Panhandle, and, to the Knowledge of Seller, no Panhandle Subsidiary, has received written notice of any material violation of any such law, license, regulation, order or other legal requirement or, to the Knowledge of Seller, is in material default with respect to any order, writ, judgment, award, injunction or decree of any Governmental Authority, applicable to Panhandle or a Panhandle Subsidiary or any of their respective assets, properties or operations.

Section 3.9 Permits.

Except as set forth in of the Seller Disclosure Letter, Seller, Panhandle and the Panhandle Subsidiaries have all permits, licenses, certificates of authority, orders and approvals of, and have made all filings applications and registrations with Governmental Authorities necessary for the conduct of the respective business operations of Panhandle and the Panhandle Subsidiaries as presently conducted (collectively, the "Permits"), except for those Permits the absence of which would not, individually or in the aggregate, have a Material Adverse Effect.

Section 3.10 Litigation.

Except as identified in Section 3.10 of the Seller Disclosure Letter, there are no lawsuits, actions, proceedings, or, to Seller's Knowledge, any investigations, pending or, to Seller's Knowledge, threatened, against Seller or any of its Affiliates or any executive officer or director thereof relating to the Panhandle Shares or the transactions contemplated hereby or the respective assets or businesses of Panhandle or the Panhandle Subsidiaries, except, in the case of lawsuits, actions, proceedings, investigations relating to the respective assets or businesses of Panhandle or the Panhandle Subsidiaries, as would not, individually or in the aggregate, have a Material Adverse Effect. Seller and its Affiliates are not subject to any outstanding judgment, order, writ, injunction, decree or award entered in an Action to which Seller or any of its Affiliates was a named party relating to the Panhandle Shares or the transactions contemplated hereby or the respective assets or businesses of Panhandle or the Panhandle Subsidiaries, except, in the case of

lawsuits, actions, proceedings, investigations relating to the respective assets or businesses of Panhandle or the Panhandle Subsidiaries, as would not, individually or in the aggregate, have a Material Adverse Effect.

Section 3.11 Title to Properties.

Each of Panhandle and the Panhandle Subsidiaries has good and valid title to all of the tangible assets and properties which it owns and which are reflected in the Financial Statements (except for assets and properties sold, consumed or otherwise disposed of in the ordinary course of business since the date of the Financial Statements), and such tangible assets and properties are owned free and clear of all Encumbrances, except for (a) Encumbrances listed in Section 3.11 of the Seller Disclosure Letter, (b) Permitted Encumbrances, and (c) Encumbrances which will be discharged on or before the Closing Date. To the Knowledge of Seller, each of Panhandle and the Panhandle Subsidiaries owns valid and defeasible fee title to, or holds a valid leasehold interest in, or a valid right-of-way or easement (all such rights-of-way and easements collectively, the "Rights of Way") through, all real property ("Real Property") used or necessary for the conduct of Panhandle's and the Panhandle Subsidiaries' business as presently conducted, and all such real Property (other than Rights-Of-Way) are owned or leased free and clear of all Encumbrances, in each case except for (a) Encumbrances listed in Section 3.11 of the Seller Disclosure Letter, (b) Permitted Encumbrances, and (c) Encumbrances which will be discharged on or before the Closing Date.

Section 3.12 Employee Matters.

(a) Except as set forth in Section 3.12 (a) of the Seller Disclosure Letter, neither Panhandle nor the Panhandle Subsidiaries contributes to any "employee benefit plan," as defined in Section 3(3) of ERISA ("ERISA Plans").

(b) Other than the Separation Plans, neither Panhandle nor the Panhandle Subsidiaries sponsors or administers any ERISA Plan.

(c) Except as set forth in Section 3.12 (c) of the Seller Disclosure Letter, neither Panhandle nor the Panhandle Subsidiaries has established or maintains any plan, agreement or arrangement providing for employment terms; severance benefits; insurance coverage (including any self-insured arrangements); workers' compensation; disability benefits; supplemental unemployment benefits; vacation benefits; retirement benefits; deferred compensation, profit-sharing, bonuses, or other forms of incentive compensation; or post-retirement insurance, compensation or benefits (whether or not an ERISA Plan) that (i) is entered into, sponsored or maintained, as the case may be, by Panhandle or the Panhandle Subsidiaries, and (ii) covers any current or former Panhandle Employee or independent contractor to Panhandle or a Panhandle Subsidiary. The policies, agreements, plans and arrangements, copies or descriptions, including the ERISA Plans, that are set forth in Section 3.12 (a) and Section 3.12 (c) of the Seller Disclosure Letter, of all of which complete and accurate copies have previously have been made available to Buyer, are hereinafter referred to collectively as the "Employee Benefit Plans."

(d) Except as set forth in Section 3.12 (d) of the Seller Disclosure Letter, neither Panhandle nor the Panhandle Subsidiaries has any legal commitment to create, incur liability with respect to or cause to exist any other employee benefit plan, program or arrangement for the benefit of any current or former Panhandle Employee or to enter into any contract or agreement to provide compensation or benefits to any former or current Panhandle Employee.

(e) Except as set forth in Section 3.12(e) of the Seller Disclosure Letter, with respect to each Employee Benefit Plan:

(i) the applicable reporting, disclosure and other requirements of ERISA (and other Applicable Law) have been complied with in all material respects;

(ii) there is no act or omission of Panhandle or the Panhandle Subsidiaries which would (a) constitute a breach of fiduciary duty under Section 404 of ERISA or a transaction (including the transactions contemplated by this Agreement) intended to evade liability under Section 4069 of ERISA, in either case that would subject Panhandle or the Panhandle Subsidiaries to a liability, or (b) constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code that would subject Panhandle or the Panhandle Subsidiaries or any plan fiduciary, directly or indirectly (through indemnification obligations or otherwise), to an excise Tax or civil penalty under Section 4975 of the Code or Section 502(i) of ERISA in an amount that would be material;

(iii) none of the current or former Panhandle Employees are entitled to benefits under a multiemployer plan (as defined in Section 4001(a)(3) of ERISA) by reason of their employment with Panhandle or the Panhandle Subsidiaries;

(iv) all contributions or payments required to be made under each Employee Plan or Employee Benefit Plan, by reason of Part 3 of Subtitle B of Title I of ERISA, Section 412 of the Code, or otherwise prior to the Closing Date have been and will be timely made;

(v) there is no pending or, to Seller's Knowledge, threatened litigation with respect to any Employee Benefit Plan;

(vi) except to the extent required under Section 601 of ERISA, neither Panhandle nor the Panhandle Subsidiaries has any present or future obligation to make any payment to or with respect to any former or current Panhandle Employee or any dependent of any such former or current Panhandle Employee under any retiree medical benefit plan, or other retiree welfare benefit plan;

(vii) there is no Employee Benefit Plan covering any former or current Panhandle Employee that provides for the payment by Panhandle or the Panhandle Subsidiaries of any amount (i) that is not deductible as a result of Section 162(a)(1) or 404 of the Code or (ii) that is an "excess parachute payment" pursuant to Section 280G of the Code;

(viii) Seller is aware of no fact that would lead Buyer or, after the transaction, Panhandle or a Panhandle Subsidiary, to incur any liability under Title IV of ERISA;

(ix) Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will (x) entitle any Panhandle Employee to severance pay to which such employee was not previously entitled, or any increase in severance pay upon a termination of employment, (y) accelerate the time of payment or vesting of, or trigger any payment of compensation or benefits to, the Panhandle Employees under any Employee Benefit Plan or (z) trigger any other material obligation pursuant to the Employee Benefit Plans that would be a liability of Buyer or Panhandle or the Panhandle Subsidiaries after the Closing Date; and

(x) each ERISA Plan intended to qualify under Section 401(a) of the Code has been determined to be so qualified by the Internal Revenue Service and, to the Knowledge of Seller, nothing has occurred which has resulted or is likely to result in the revocation of such determination or which requires or is reasonable likely to require action under the compliance resolution programs of the Internal Revenue Service to preserve such qualification.

Section 3.13 Labor Relations.

Except as set forth in Section 3.13 of the Seller Disclosure Letter, (i) none of Panhandle or the Panhandle Subsidiaries is a party to any labor or collective bargaining agreements, and there are no labor or collective bargaining agreements which pertain to any employees of Panhandle or the Panhandle Subsidiaries, (ii) within the preceding eighteen (18) months, there have been no representation or certification proceedings, or petitions seeking a representation proceeding, pending or, to the Knowledge of Seller, threatened in writing to be brought or filed with the National Labor Relations Board or any other labor relations tribunal or authority with respect to Panhandle or the Panhandle Subsidiaries and (iii) within the preceding eighteen (18) months, to the Knowledge of Seller, there have been no organizing activities involving Panhandle or the Panhandle Subsidiaries with respect to any group of their respective employees.

Section 3.14 Intellectual Property.

Except as set forth in Section 3.14 of the Seller Disclosure Letter, Panhandle and the Panhandle Subsidiaries will, on the Closing Date, either in their own name or by

operation of the Intellectual Property Agreement attached hereto as Exhibit A, own or possess licenses or other legally enforceable rights to use all patents, copyrights (including any copyrights in proprietary software), trademarks, service marks, trade names, logos, and other intellectual property rights, software object and source code as are necessary to conduct their respective businesses as currently conducted, except those the lack of which would not, materially and adversely impact the operations, as currently conducted, of Panhandle and the Panhandle Subsidiaries taken as a whole; and to Seller's Knowledge, there is no conflict by Seller or any of Panhandle or the Panhandle Subsidiaries with the rights of others therein which, individually or in the aggregate, would materially and adversely impact the operations, as currently conducted, of Panhandle and the Panhandle Subsidiaries taken as a whole.

Section 3.15 Representations with Respect to Environmental Matters.

To Seller's Knowledge, and except as set forth in Section 3.15 of the Seller Disclosure Letter:

(a) Panhandle and the Panhandle Subsidiaries are in compliance with all applicable Environmental Laws, except for such noncompliance as would not, individually or in the aggregate, have a Material Adverse Effect;

(b) Panhandle and the Panhandle Subsidiaries have all of the Environmental Permits required in order to conduct their operations or, where such Environmental Permits have expired, have applied for a renewal of such Environmental Permits in a timely fashion, except where the failure to have an Environmental Permit or to have applied for a renewal of an Environmental Permit would not, individually or in the aggregate, have a Material Adverse Effect;

(c) there is no pending or threatened written Claim, lawsuit, or administrative proceeding against Panhandle or the Panhandle Subsidiaries under or pursuant to any Environmental Law that, individually or in the aggregate, would have a Material Adverse Effect. Neither Panhandle nor the Panhandle Subsidiaries is a party or subject to any administrative or judicial order, decree or other agreement with a Governmental Authority under or pursuant to any applicable Environmental Law that, individually or in the aggregate, would have a Material Adverse Effect;

(d) neither Panhandle nor the Panhandle Subsidiaries have received written notice from any third party, including any Governmental Authority, alleging that Panhandle or the Panhandle Subsidiaries has been or is in violation or potentially in violation of any applicable Environmental Law or otherwise may be liable under any applicable Environmental Law, which violation or liability is unresolved and which, individually or in the aggregate, would have a Material Adverse Effect; and

(e) with respect to the real property that is currently owned or leased by Panhandle or the Panhandle Subsidiaries, there have been no spills or discharges of Hazardous Substances on or underneath any such real property that, individually or in the aggregate, would have a Material Adverse Effect.

The representations and warranties set forth in this Section 3.15 are Seller's sole and exclusive representations and warranties related to environmental matters.

Section 3.16 Tax Matters.

(a) Except as would not have a Material Adverse Effect, all federal, state, and local Tax Returns required to be filed by or on behalf of Panhandle or the Panhandle Subsidiaries, and each consolidated, combined, unitary, affiliated or aggregate group of which any of Panhandle or the Panhandle Subsidiaries are a member has been timely filed (taking into account applicable extensions), and all Taxes shown as due on such Tax Returns have been paid, or adequate reserves therefor have been established.

(b) Except as would not have a Material Adverse Effect, there is no deficiency, proposed adjustment, or matter in controversy that has been asserted or assessed in writing with respect to any Taxes due and owing by Panhandle or the Panhandle Subsidiaries that has not been paid or settled in full.

(c) Except as would not have a Material Adverse Effect, Panhandle and the Panhandle Subsidiaries have timely withheld and timely paid all Taxes required to be withheld by them in connection with any amounts paid or owing to any employee, creditor, independent contractor or other third party.

(d) Except as would not have a Material Adverse Effect, there are no liens for Taxes upon any of the assets of Panhandle or any Panhandle Subsidiary except for liens for Taxes not yet due and payable.

(e) Except as would not have a Material Adverse Effect, no property of Panhandle or any Panhandle Subsidiary is required to be treated as "tax-exempt use property" within the meaning of Code Section 168(h), and no property of Panhandle or any Panhandle Subsidiary is subject to a tax benefit transfer lease subject to the provisions of former Section 168(f)(8) of the Code.

(f) Except as set forth in Section 3.16 (f) of the Seller Disclosure Letter, each Panhandle Subsidiary and each Related Company that is treated as a partnership for United States federal income tax purposes has not made a valid election under Section 754 of the Code that will be in effect on the Closing Date.

Section 3.17 Absence of Certain Changes or Events.

(a) Except as set forth in Section 3.17 (a) of the Seller Disclosure Letter, for the period beginning on March 29, 1999 and until the date hereof, Panhandle and the Panhandle Subsidiaries have conducted their respective businesses in the ordinary course of business, consistent with past practice (as such practice existed during the period of Seller's ownership of Panhandle and the Panhandle Subsidiaries).

(b) Except as set forth in Section 3.17 (b) of the Seller Disclosure Letter, or in the Financial Statements and the notes thereto, since the date of

the Financial Statements, there has not been with respect to Panhandle and the Panhandle Subsidiaries any event or development or change which has resulted or would reasonably be expected to result in a Material Adverse Effect.

Section 3.18 Absence of Undisclosed Liabilities.

Neither Panhandle nor the Panhandle Subsidiaries have any Liabilities (whether absolute, accrued, contingent or otherwise) that are required by GAAP to be reflected in the audited financial statements of Panhandle and the Panhandle Subsidiaries except those Liabilities (a) disclosed and reserved against in the September 30, 2002 balance sheet for Panhandle and the Panhandle Subsidiaries, (b) set forth in Section 3.18 of the Seller Disclosure Letter, (c) incurred in the ordinary course of business since September 30, 2002 and (d) which have not resulted in a Material Adverse Effect.

Section 3.19 Brokerage and Finders' Fees.

Except for Merrill Lynch & Co. and Salomon Smith Barney Inc., whose fees will be paid by Seller, none of Seller, Panhandle, the Panhandle Subsidiaries, or any of their Affiliates or their respective stockholders, partners, directors, officers or employees, has incurred, or will incur any brokerage, finders' or similar fee in connection with the transactions contemplated by this Agreement or the Related Agreements.

Section 3.20 Affiliated Transactions.

Except as described in Section 3.20 of the Seller Disclosure Letter, and except for trade payables and receivables arising in the ordinary course of business for purchases and sales of goods or services consistent with past practice, neither Panhandle nor the Panhandle Subsidiaries have been a party over the past twelve (12) months to any material transaction or agreement with Seller or any Affiliate of Seller (other than Panhandle and the Panhandle Subsidiaries) and no director or officer of Seller or its Affiliates (other than Panhandle and the Panhandle Subsidiaries), has, directly or indirectly, any material interest in any of the assets or properties of Panhandle or the Panhandle Subsidiaries.

Section 3.21 Insurance.

(a) Section 3.21 of the Seller Disclosure Letter sets forth a true and complete list of all current policies of all material property and casualty insurance, insuring the properties, assets, employees and/or operations of Panhandle and the Panhandle Subsidiaries (collectively, the "Insurance Policies"). To the Knowledge of Seller, all premiums payable under such Policies have been paid in a timely manner and Panhandle and the Panhandle Subsidiaries have complied in all material respects with the terms and conditions of all such Policies.

(b) As of the Original Date, Seller has not received any written notification of the failure of any of the Insurance Policies to be in full force and effect. To the Knowledge of Seller, neither Panhandle nor the Panhandle Subsidiaries is in default under any provision of the Insurance Policies, and except as set forth in Section

3.21 of the Seller Disclosure Letter, there is no claim by Panhandle or any other Person pending under any of the Insurance Policies as to which coverage has been denied or disputed by the underwriters or issuers thereof.

Section 3.22 Regulatory Matters.

Panhandle is a "Natural Gas Company" as that term is defined in Section 2 of the Natural Gas Act ("NGA"). Panhandle is not a "public utility company," "holding company" or "subsidiary" or "affiliate" of a holding company as such terms are defined in the Public Utility Holding Company Act of 1935 (the "1935 Act"). Except as would not have a Material Adverse Effect, Panhandle and the Panhandle Subsidiaries are in compliance with all provisions of the NGA and all rules and regulations promulgated by FERC pursuant thereto. Except as would not have a Material Adverse Effect, Panhandle and the Panhandle Subsidiaries are in compliance with all orders issued by FERC that pertain to all terms and conditions and rates charged for services. Except as set forth in Section 3.22 of the Seller Disclosure Letter, no approval of (i) the Securities and Exchange Commission under the 1935 Act or (ii) FERC under the NGA or the Federal Power Act is required in connection with the execution of this Agreement by Seller or the transaction contemplated hereby with respect to Seller. The Form No. 2 Annual Reports filed by Panhandle with FERC for the years ended December 31, 2001 and December 31, 2000 were true and correct in all material respects as of the dates thereof. Since September 30, 2002 until the date of this Agreement none of Panhandle or the Panhandle Subsidiaries have become subject to any proceeding under Section 5 of the NGA or any general rate case proceeding commenced under Section 4 of the NGA by reason of a filing made with the FERC after September 30, 2002.

Section 3.23 Opinions of Financial Advisors.

(a) The Board of Directors of Parent has received separate opinions, dated the Original Date, from each of Merrill Lynch & Co. and Salomon Smith Barney Inc., each addressed to the Board of Directors of Parent, to the effect that, subject to, and based upon the assumptions, qualifications and limitations included in such opinions, the consideration to be received by Parent pursuant to the Original Purchase Agreement is fair from a financial point of view to Parent. Buyer will be permitted to inspect such opinions solely for informational purposes following receipt thereof by Parent.

(b) The Board of Directors of Parent has received an opinion, dated as of the date of this Agreement, from Salomon Smith Barney Inc., addressed to the Board of Directors of Parent, to the effect that, subject to, and based upon the assumptions, qualifications and limitations included in such opinion, the consideration to be received by Parent pursuant to this Agreement is fair from a financial point of view to Parent. Buyer will be permitted to inspect such opinion solely for informational purposes following receipt thereof by Parent.

Section 3.24 Investment Representations.

Seller is acquiring the Southern Union Shares to be acquired by it hereunder for its own account, solely for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof in violation of the federal securities laws or any applicable foreign or state securities law.

Section 3.25 Recent Transfers.

(a) On February 28, 2002, Seller caused CMS Gulf Coast Holdings Company, whose sole asset was 100 percent of the ownership interests in CMSGCFS, and the contracts relating thereto, to be transferred to CMS Panhandle Holdings, LLC.

(b) In March 2003, Panhandle's ownership interest in Guardian, and the contracts relating thereto, was transferred to Seller.

(c) In February 2003, Panhandle sold its ownership interest in Centennial, and the contracts relating thereto, to Marathon Ashland Petroleum, LLC and TE Products Pipeline Company, Limited Partner.

Section 3.26 Date of Certain Representations.

All of the representations and warranties provided for in this Article III are made only as of the Original Date except for the representations and warranties set forth in Section 3.1 (Corporate Organization; Qualification), Section 3.2 (Authority Relative to this Agreement), Section 3.3 (Panhandle Shares), Section 3.4 (Consents and Approvals), Section 3.5 (No Conflict or Violation) and Section 3.19 (Brokerage and Finders' Fees) which are made as of the Original Date and as of the date of this Agreement and for Section 3.23(b) (Opinions of Financial Advisors), Section 3.24 (Investment Representations) and Section 3.25 (Recent Transfers) which are made only as of the date of this Agreement.

Section 3.27 No Other Representations or Warranties.

Except for the representations and warranties contained in this Article III, none of Seller, Panhandle, or the Panhandle Subsidiaries, nor any other Person makes any other express or implied representation or warranty on behalf of Seller.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF BUYER AND SOUTHERN UNION

Buyer and Southern Union hereby represent and warrant to Seller as follows:

Section 4.1 Corporate Organization; Qualification.

Buyer and Southern Union are corporations or other legal entities duly organized, validly existing and duly qualified or licensed and in good standing under the laws of the state or jurisdiction of their incorporation and have all requisite corporate power to own, lease and operate their properties and to carry on their business as currently conducted. Buyer and Southern Union are duly qualified or licensed to do business as foreign corporations or other legal entities and are, and have been, in good standing in each jurisdiction in which the nature of the business conducted by each of them or the property each owns, leases or operates requires it to so qualify, be licensed or be in good standing, except for such failures to be qualified, licensed or in good standing that would not materially affect the consummation of the transactions contemplated by this Agreement.

Section 4.2 Authority Relative to this Agreement.

Buyer and Southern Union have full corporate, or other power, and authority to execute and deliver this Agreement, the Related Agreements and the other agreements, documents and instruments to be executed and delivered by each of them in connection with this Agreement or the Related Agreements, and to consummate the transactions contemplated hereby and thereby, including the issuance and delivery of the Southern Union Shares, their registration pursuant to the Shelf Registration Statement and the Listing. The execution, delivery and performance of this Agreement, the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements and the consummation of the transactions contemplated hereby and thereby, including the issuance and delivery of the Southern Union Shares, their registration pursuant to the Shelf Registration Statement and the Listing, have been duly and validly authorized by all the necessary action on the part of Buyer and Southern Union and no other corporate, or other proceedings on the part of Buyer or Southern Union are necessary to authorize this Agreement, the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements or to consummate the transactions contemplated hereby and thereby, including the issuance and delivery of the Southern Union Shares, their registration pursuant to the Shelf Registration Statement and the Listing. This Agreement has been, and the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements as of the Closing Date will be, duly and validly executed and delivered by Buyer or Southern Union, as applicable, and assuming that this Agreement, the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements constitute legal, valid and binding agreements of Seller and the Seller Counterparties, as applicable, are (in the case of this Agreement) or will be as of the Closing Date (in the case of the Related Agreements and the other agreements, documents and instruments to be executed and delivered in connection with this Agreement or the Related Agreements), enforceable against Buyer and Southern Union in accordance with their respective terms, except that such enforceability may be limited by applicable bankruptcy, insolvency, moratorium or

other similar laws affecting or relating to enforcement of creditors' rights generally or general principles of equity.

Section 4.3 Consents and Approvals.

Except as set forth in Section 4.3 of the Buyer Disclosure Letter, none of Buyer or Southern Union requires any consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority, or any other Person as a condition to the execution and delivery of this Agreement or the performance of the obligations hereunder, including the issuance and delivery of the Southern Union Shares, their registration pursuant to the Shelf Registration Statement and the Listing, except where the failure to obtain such consent, approval or authorization of, or filing of, registration or qualification with, any Governmental Authority, or any other Person would not materially affect the consummation of the transactions contemplated by this Agreement.

Section 4.4 No Conflict or Violation.

Except as set forth in Section 4.4 of the Buyer Disclosure Letter, the execution, delivery and performance by Buyer and Southern Union and the issuance and delivery of the Southern Union Shares of this Agreement do not:

(a) violate or conflict with any provision of the organizational documents or bylaws of Buyer or Southern Union, respectively;

(b) violate any applicable provision of a law, statute, judgment, order, writ, injunction, decree, award, rule or regulation of any Governmental Authority, except where such violation would not have a Material Adverse Effect; or

(c) violate, result in a breach of, constitute (with due notice or lapse of time or both) a default or cause any material obligation, penalty or premium to arise or accrue under any material contract, lease, loan, agreement, mortgage, security agreement, trust indenture or other material agreement or instrument to which Buyer or Southern Union is a party or by which it is bound or to which any of its properties or assets is subject, except as would not have materially affect the consummation of the transactions contemplated by this Agreement.

Section 4.5 Litigation.

Except as set forth in Section 4.5 of the Buyer Disclosure Letter, there are no lawsuits, actions, proceedings, or, to Buyer's Knowledge, any investigations, pending or, to Buyer's Knowledge, threatened, against Buyer, Southern Union or any of their respective Affiliates or any executive officer or director thereof which would prohibit or impair Buyer, Southern Union or their respective Affiliates from undertaking any of the transactions contemplated by this Agreement or the Related Agreements, except as would not materially affect the consummation of the transactions contemplated by this Agreement. Buyer, Southern Union and their respective Affiliates are not subject to any outstanding judgment, order, writ, injunction, decree or award entered in an Action to which Buyer, Southern Union or any of their respective Affiliates was a named party

which would prohibit or impair Buyer, Southern Union or their Affiliates from undertaking any of the transactions contemplated by this Agreement or the Related Agreements, except as would not materially affect the consummation of the transactions contemplated by this Agreement.

Section 4.6 Availability of Funds.

Buyer will have on the Closing Date sufficient funds available in immediately available funds to pay the Purchase Price and to consummate the transactions contemplated hereby. The ability of Buyer to consummate the transactions contemplated hereby is not subject to any condition or contingency with respect to financing.

Section 4.7 Brokerage and Finders' Fees.

Except for Lehman Brothers and Berenson & Company, whose fees will each be paid by Buyer, neither Buyer, Southern Union nor any of their Affiliates, or their respective stockholders, partners, directors, officers or employees, has incurred, or will incur any brokerage, finders' or similar fee in connection with the transactions contemplated by this Agreement or the Related Agreements.

Section 4.8 Investment Representations.

(a) Buyer is acquiring the Panhandle Shares to be acquired by it hereunder for its own account, solely for the purpose of investment and not with a view to, or for sale in connection with, any distribution thereof in violation of the federal securities laws or any applicable foreign or state securities law.

(b) Buyer is an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended.

(c) Buyer understands that the acquisition of the Panhandle Shares to be acquired by it pursuant to the terms of this Agreement involves substantial risk. Buyer and its officers have experience as an investor in securities and equity interests of companies such as the ones being transferred pursuant to this Agreement and acknowledges that it can bear the economic risk of its investment and has such knowledge and experience in financial or business matters that Buyer is capable of evaluating the merits and risks of its investment in the Panhandle Shares to be acquired by it pursuant to the transactions contemplated hereby.

(d) Buyer understands that the Panhandle Shares to be acquired by it hereunder have not been registered under the Securities Act on the basis that the sale provided for in this Agreement is exempt from the registration provisions thereof. Buyer acknowledges that such securities may not be transferred or sold except pursuant to the registration and other provisions of applicable securities laws or pursuant to an applicable exemption therefrom.

(e) Buyer acknowledges that the offer and sale of the Panhandle Shares to be acquired by it in the transactions contemplated hereby has not been accomplished by the publication of any advertisement.

Section 4.9 Buyer Capitalization; Other Interests

(a) Southern Union directly owns all of the issued and outstanding shares of capital stock of Buyer.

(b) Except as set forth in Section 4.9(b) of the Buyer Disclosure Letter, there are no (A) existing options, warrants, calls, rights of first refusal, preemptive rights, subscriptions or other rights, agreements, arrangements or commitments of any character, relating to the capital stock of Buyer, obligating Buyer, Southern Union or any of their respective Affiliates to issue, transfer or sell, or cause to be issued, transferred or sold, any of the capital stock of Buyer, (B) outstanding securities of Buyer or its Affiliates that are convertible into or exchangeable or exercisable for any of the capital stock of Buyer, (C) options, warrants or other rights to purchase from Buyer, Southern Union or their respective Affiliates any such convertible or exchangeable securities or (D) contracts, agreements or arrangements of any kind relating to the issuance of any of the capital stock of Buyer, or any such options, warrants or rights, pursuant to which, in any of the foregoing cases, Buyer, Southern Union or any of their respective Affiliates are subject or bound.

(c) Other than as set forth on Section 4.9 (c) of the Buyer Disclosure Letter, neither Buyer nor Southern Union own any stock or other equity interest (controlling or otherwise) in any corporation, limited liability corporation, joint venture or other entity engaged in the energy business, including without limitation any business engaged in (i) the ownership or operation of natural gas and condensate pipelines, (ii) interstate transportation of natural gas, (iii) natural gas storage services, (iv) the storage and regasification of liquefied natural gas and (v) the separation and measurement of condensate. Section 4.9 (c) of the Buyer Disclosure Letter indicates whether, and the extent to which, Southern Union has management responsibility and/or operational control for the entities set forth in Section 4.9 (c) of the Buyer Disclosure Letter which are engaged in the energy business.

Section 4.10 Compliance with Law.

Except as set forth in Southern Union's filings with the Securities and Exchange Commission ("SEC") filed since December 31, 1999 through the date of this Agreement, and except as set forth in Section 4.10 of the Buyer Disclosure Letter, since December 31, 1999, Southern Union and the Southern Union Subsidiaries have complied with all federal, state, local or foreign laws, statutes, ordinances, rules, regulations, judgments, orders, writs, injunctions or decrees of any Governmental Authority applicable to their respective properties, assets and businesses except where such noncompliance would not have a Southern Union Material Adverse Effect. None of Southern Union or, to the Knowledge of Buyer, no Southern Union Subsidiary, has received written notice of any material violation of any such law, license, regulation, order or other legal requirement

or, to the Knowledge of Buyer, is in material default with respect to any order, writ, judgment, award, injunction or decree of any Governmental Authority, applicable to Southern Union or a Southern Union Subsidiary or any of their respective assets, properties or operations.

Section 4.11 Southern Union Shares.

(a) Except as set forth in Section 4.11 (a) of the Buyer Disclosure Letter, (i) except as set forth in Southern Union's report on Form 10-Q for the quarterly period ended December 31, 2002, there are no shares of Southern Union authorized, issued or outstanding or reserved for any purpose, and (ii) there are no (A) existing options, warrants, calls, rights of first refusal, preemptive rights, subscriptions or other rights, agreements, arrangements or commitments of any character, relating to the Southern Union Shares, obligating Southern Union or any of its Affiliates to issue, transfer or sell, or cause to be issued, transferred or sold, any of the Southern Union Shares, (B) outstanding securities of Southern Union or its Affiliates that are convertible into or exchangeable or exercisable for any of the Southern Union Shares, (C) options, warrants or other rights to purchase from Southern Union or its Affiliates any such convertible or exchangeable securities or (D) other than this Agreement, contracts, agreements or arrangements of any kind relating to the issuance of any of the Southern Union Shares, or any such options, warrants or rights, pursuant to which, in any of the foregoing cases, Seller or its Affiliates are subject or bound.

(b) Southern Union has taken all necessary actions to permit it to issue the Southern Union Shares. The Southern Union Shares will, when issued, be duly authorized, validly issued, fully paid and non-assessable, and no shareholder of Southern Union or other person has or will have any preemptive right of subscription or purchase in respect thereof. At the Closing, the Southern Union Shares will be transferred to Seller free and clear of all Encumbrances or other defects in title. The Southern Union Shares are not, and at Closing will not be, subject to any restrictions on transferability other than those imposed by this Agreement and by applicable securities laws.

(c) Except as set forth in Section 4.11 (c)(i) of the Buyer Disclosure Letter, all of the outstanding shares of capital stock or other ownership interests, as applicable, of each of the Southern Union Subsidiaries are owned directly or indirectly by Southern Union, free and clear of all Encumbrances, and are validly issued, fully paid and nonassessable. At the Closing, all of such shares or other ownership interests will be free and clear of all Encumbrances. Except as set forth in Section 4.11 (c)(ii) of the Buyer Disclosure Letter, there are no (A) existing options, warrants, calls, rights of first refusal, preemptive rights, subscriptions or other rights, agreements, arrangements or commitments of any character, relating to the shares of a Southern Union Subsidiary, obligating Southern Union or any of its Affiliates to issue, transfer or sell, or cause to be issued, transferred or sold, any of the shares of a Southern Union Subsidiary, (B) outstanding securities of Southern Union or its Affiliates that are convertible into or exchangeable or exercisable for any of the shares of a Southern Union Subsidiary, or (C) options, warrants or other rights to purchase from Southern Union or its Affiliates any such convertible or exchangeable securities.

Section 4.12 Southern Union Financial Information.

Southern Union has previously furnished to Seller the Southern Union Financial Statements. Except as set forth in Section 4.12 of the Buyer Disclosure Letter, the Southern Union Financial Statements present fairly in all material respects, in accordance with GAAP consistently applied, on a consolidated basis, the financial condition and results of operation of Southern Union and the Southern Union Subsidiaries as of the date thereof and for the periods set forth therein, except as otherwise noted therein, and in the case of the Southern Union Interim Financial Statement, except for the absence of footnotes and subject to normal recurring year-end adjustments which are not material either individually or in the aggregate.

Section 4.13 Absence of Certain Changes or Events.

Except as set forth in Southern Union's annual report on Form 10-K for the year ended June 30, 2002, and its subsequent SEC filings filed prior to the date of this Agreement:

(a) Except as set forth in Section 4.13(a) of the Buyer Disclosure Letter, for the period beginning on July 1, 2002 and until the date hereof, Southern Union and the Southern Union Subsidiaries have conducted their respective businesses in the ordinary course of business, consistent with past practice.

(b) Except as set forth in Section 4.13(b) of the Buyer Disclosure Letter, or in the Southern Union Financial Statements and the notes thereto, since December 31, 2002, there has not been with respect to Southern Union and the Southern Union Subsidiaries any event or development or change which has resulted or would reasonably be expected to result in a Southern Union Material Adverse Effect.

Section 4.14 Absence of Undisclosed Liabilities.

Except as set forth in Southern Union's annual report on Form 10-K for the year ended June 30, 2002, and its subsequent SEC filings filed prior to the date of this Agreement, neither Southern Union nor the Southern Union Subsidiaries have any Liabilities (whether absolute, accrued, contingent or otherwise) that are required by GAAP to be reflected in the most recent Southern Union Financial Statements except those Liabilities (a) disclosed and reserved against in the December 31, 2002 balance sheet for Southern Union, (b) set forth in Section 4.14 of the Buyer Disclosure Letter, (c) incurred in the ordinary course of business since December 31, 2002 and (d) which have not resulted in a Southern Union Material Adverse Effect.

Section 4.15 Southern Union Subsidiaries.

Except for subsidiaries not required to be listed pursuant to Item 601 of Regulation S-K in Southern Union's annual report on Form 10-K for the year ended June 30, 2002, Southern Union has no subsidiaries other than the Southern Union Subsidiaries.

Section 4.16 SEC Filings.

(a) From and including the date of Southern Union's annual report on Form 10-K for the year ended June 30, 2002, as of their respective filing dates with the Securities and Exchange Commission ("SEC"), Southern Union's filings with the SEC (i) have complied as to form in all material respects with the applicable requirements of the Exchange Act or Securities Act, as applicable, and (ii) did not contain any untrue statement of a material fact or omit any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not false or misleading.

(b) Southern Union's registration statement on Form S-3, filed with the SEC on January 7, 2003, as amended on April 1, 2003, pursuant to which the Southern Union Shares will be issued to Seller (the "Shelf Registration Statement"), has been declared effective by the SEC and is currently effective.

Section 4.17 Date of Certain Representations.

The representations and warranties provided for in this Article IV are made as of the Original Date and as the date of this Agreement except for the representations and warranties set forth in Section 4.9 (Buyer Capitalization; Other Interests), Section 4.10 (Compliance with Law), Section 4.11 (Southern Union Shares), 4.12 (Southern Union Financial Information), 4.13 (Absence of Certain Changes or Events), 4.14 (Absence of Undisclosed Liabilities), 4.15 (Southern Union Subsidiaries) and Section 4.16 (SEC Filings) which are made only as of the date of this Agreement.

Section 4.18 No Other Representations or Warranties.

Except for the representations and warranties contained in this Article IV, none of Buyer, Southern Union or any other Person makes any other express or implied representation or warranty on behalf of Buyer or Southern Union.

ARTICLE V

COVENANTS OF THE PARTIES

Section 5.1 Conduct of Business.

(a) Except as expressly provided in this Agreement or as set forth in Section 5.1 (a) of the Seller Disclosure Letter, from and after the Original Date and until the Closing Date, Seller shall cause Panhandle and the Panhandle Subsidiaries to conduct and maintain their respective businesses in the ordinary course of business, consistent with past practice.

(b) Except as contemplated by this Agreement or as set forth in Section 5.1 (b) of the Seller Disclosure Letter, from and after the Original Date and until the Closing Date, without the prior written consent of Buyer (which consent shall not

be unreasonably withheld or delayed), Seller shall cause Panhandle and the Panhandle Subsidiaries not to:

(i) Amend its Certificate of Incorporation, Bylaws or other comparable charter or organizational documents or merge with or into or consolidate with any other Person;

(ii) Issue, sell, pledge, dispose of or encumber, or authorize or propose the issuance, sale, pledge, disposition or encumbrance of, any shares of, or securities convertible or exchangeable for, or options, puts, warrants, calls, commitments or rights of any kind to acquire, any of its capital stock or other membership or ownership interests or subdivide or in any way reclassify any shares of its capital stock or other membership or ownership interests or change or agree to change in any manner the rights of its outstanding capital stock or other membership or ownership interests;

(iii) (A) Declare, set aside or pay any dividend or other distribution payable other than in cash or cash equivalents, with respect to any shares of any class or series of capital stock of Panhandle or the Panhandle Subsidiaries; (B) split, combine or reclassify any shares of any class or series of capital stock of Panhandle or the Panhandle Subsidiaries; or (C) redeem, purchase or otherwise acquire directly or indirectly any shares of any class or series of capital stock of Panhandle or the Panhandle Subsidiaries, or any instrument or security which consists of or includes a right to acquire such shares;

(iv) Except as may be required by agreements or arrangements identified in Section 5.1 (b)(iv) of the Seller Disclosure Letter, grant any severance or termination pay to, or enter into, extend or amend any employment, consulting, severance or other compensation agreement with, or otherwise increase the compensation or benefits provided to any of its officers or other employees whose annual salary base is in excess of $100,000 other than in the ordinary course of business, consistent with past practice;

(v) Sell, lease, license, mortgage or otherwise dispose of any properties or assets material to its business, other than (A) sales made in the ordinary course of business consistent with past practice or (B) sales of obsolete or other assets not presently utilized in its business;

(vi) Make any change in its accounting principals, practices, estimates or methods, other than as may be required by GAAP, Applicable Law or any Governmental Authority;

(vii) Organize any new Subsidiary or acquire any capital stock of, or equity or ownership interest in, any other Person;

(viii) Materially modify or amend or terminate any Material Contract or waive, release or assign any material rights or Claims under a Material Contract, except in the ordinary course of business and consistent with past practice;

(ix) Pay, repurchase, discharge or satisfy any of its Claims, Liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than in the ordinary course of business and consistent with past practice;

(x) Enter into any contract or transaction relating to the purchase of assets material to Panhandle or the Panhandle Subsidiaries, taken as a whole, other than in the ordinary course of business consistent with past practice;

(xi) (A) Incur or assume any long-term debt, or except in the ordinary course of business consistent with past practice, incur or assume short-term indebtedness (other than intercompany indebtedness) exceeding $5,000,000 in the aggregate from the date hereof until Closing; (B) modify the terms of any indebtedness or other liability, other than modifications of short-term debt in the ordinary course of business, consistent with past practice; or (C) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person (other than any Panhandle Subsidiary), except as described in Section 5.1 (b)(xi)(C) of the Seller Disclosure Letter;

(xii) Adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization;

(xiii) Make or change any material election in respect of Taxes, adopt or request permission of any Taxing authority to change any material accounting method in respect of Taxes, or enter into any closing agreement in respect of Taxes that would increase the Tax liability of Buyer, without Buyer's written consent which shall not be unreasonably withheld; provided, however, that Panhandle and the Panhandle Subsidiaries may make elections pursuant to Treas. Reg. ss.301.7701-3 or Section 754 of the Code (and any comparable provisions of state or local law).

(xiv) Other than routine compliance filings, make any filings or submit any documents or information to FERC without prior consultation with Buyer; or

xv) Authorize any of, or commit or agree to take any of, the actions referred to in the paragraphs (i) through (xiv) above.

(c) Seller shall, or shall cause Panhandle and the Panhandle Subsidiaries, to provide to Buyer copies of any filings made with any Governmental Entities after the Original Date and prior to the Closing Date.

Section 5.2 Access to Properties and Records.

(a) Seller, Panhandle and the Panhandle Subsidiaries shall afford to Buyer and Buyer's accountants, counsel and representatives full reasonable access during normal business hours throughout the period prior to the Closing Date (or the earlier termination of this Agreement pursuant to Article VII hereof) to all of Seller's, Panhandle's and the Panhandle Subsidiaries' properties, books, contracts, commitments and records (including all environmental studies, reports and other environmental records) and, during such period, shall furnish to Buyer all information concerning the respective businesses, properties, Liabilities and personnel of Panhandle and the Panhandle Subsidiaries as Buyer may request, provided that no investigation or receipt of information pursuant to this Section 5.2 shall affect any representation or warranty of Seller or the conditions to the obligations of Buyer. To the extent not located at the offices or properties of Panhandle or the Panhandle Subsidiaries as of the Closing Date, as promptly as practicable thereafter Seller shall deliver, or cause its appropriate Affiliates to deliver to Buyer all of the books of accounts, minute books, record books and other records (including safety, health, environmental, maintenance and engineering records and drawings) pertaining to the business operations of Panhandle and the Panhandle Subsidiaries. Notwithstanding anything to the contrary herein, neither Buyer, Southern Union nor any of their respective representatives shall have the right to conduct any Phase II environmental due diligence, including the collection and analysis of any samples of environmental media or building materials.

(b) The information contained herein, in the Seller Disclosure Letter or heretofore or hereafter delivered to Buyer or its authorized representatives in connection with the transactions contemplated by this Agreement shall be held in confidence by Buyer and its representatives in accordance with the Confidentiality Agreement until the Closing Date with respect to information relating to Panhandle and its Subsidiaries, and for the term of the Confidentiality Agreement with respect to information relating to Seller and its Affiliates (other than Panhandle and its Subsidiaries).

Section 5.3 Southern Union Conduct of Business.

(a) Except as expressly provided in this Agreement or as set forth in Section 5.3 (a) of the Buyer Disclosure Letter, from and after the date of this Agreement and until the Closing Date, Southern Union shall, and shall cause the Southern Union Subsidiaries to, conduct and maintain their respective businesses in the ordinary course of business, consistent with past practice.

(b) Except as contemplated by this Agreement or as set forth in Section 5.3 (b)of the Buyer Disclosure Letter, prior to the Closing Date, without the prior written consent of Seller (which consent shall not be unreasonably withheld or delayed), Southern Union shall not, and shall cause each of the Southern Union Subsidiaries not to:

(i) Amend its Certificate of Incorporation, Bylaws or other comparable charter or organizational documents or merge with or into or consolidate with any other Person;

(ii) Issue, sell, pledge, dispose of or encumber, or authorize or propose the issuance, sale, pledge, disposition or encumbrance of, any shares of, or securities convertible or exchangeable for, or options, puts, warrants, calls, commitments or rights of any kind to acquire, any of its capital stock or other membership or ownership interests or subdivide or in any way reclassify any shares of its capital stock or other membership or ownership interests or change or agree to change in any manner the rights of its outstanding capital stock or other membership or ownership interests;

(iii) (A) Declare, set aside or pay any dividend or other distribution payable other than in cash or cash equivalents, with respect to any shares of any class or series of capital stock of Southern Union or the Southern Union Subsidiaries; (B) split, combine or reclassify any shares of any class or series of capital stock of Southern Union or the Southern Union Subsidiaries; or (C) redeem, purchase or otherwise acquire directly or indirectly any shares of any class or series of capital stock of Southern Union or the Southern Union Subsidiaries, or any instrument or security which consists of or includes a right to acquire such shares;

(iv) Sell, lease, license, mortgage or otherwise dispose of any properties or assets material to its business, other than (A) sales made in the ordinary course of business consistent with past practice or (B) sales of obsolete or other assets not presently utilized in its business;

(v) Make any change in its accounting principals, practices, estimates or methods, other than as may be required by GAAP, Applicable Law or any Governmental Authority;

(vi) Acquire any capital stock of, or equity or ownership interest in, any other Person;

(vii) Enter into any contract or transaction relating to the purchase of assets material to Southern Union and the Southern Union Subsidiaries, taken as a whole, other than in the ordinary course of business consistent with past practice;

(viii) Except in connection with the consummation of the transactions contemplated by this Agreement and except as permitted pursuant to the terms of Southern Union's credit facilities listed in Section 6.3(e) of the Buyer Disclosure Letter, (A) Incur or assume any long-term debt, or except in the ordinary course of business consistent with past practice, incur or assume short-term indebtedness (other than intercompany indebtedness) from the date hereof until Closing; (B) modify the terms of any indebtedness or other liability, other than modifications of short-term debt in the ordinary course of business, consistent with past practice; or (C) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person (other than any Southern Union Subsidiary), except as described in Section 5.3 (b)(viii)(C) of the Buyer Disclosure Letter;

(ix) Adopt a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization; and

(x) Authorize any of, or commit or agree to take any of, the actions referred to in the paragraphs (i) through (ix) above.

Section 5.4 Consents and Approvals.

(a) Upon the terms and subject to the conditions of this Agreement, each of the parties hereto agree to use, and will cause its Affiliates to use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary or advisable under Applicable Law and regulations to consummate and make effective the transactions contemplated by this Agreement as promptly as practicable including the preparation and filing of all forms, registrations and notices required to be filed by such party in order to consummate the transactions contemplated by this Agreement, the taking of all appropriate action necessary, proper or advisable to satisfy each of the conditions to Closing that are to be satisfied by that party or any of its Affiliates and the taking of such actions as are necessary to obtain any approvals, consents, orders, exemptions or waivers of Governmental Authorities and any other Person required to be obtained by such party in order to consummate the transactions contemplated by this Agreement, including the issuance and delivery of the Southern Union Shares.

(b) To the extent required by the HSR Act, each party shall (i) file or cause to be filed, as promptly as practicable after the execution and delivery of this Agreement, with the Federal Trade Commission and the United States Department of Justice, any additional reports and other documents required to be filed by such party under the HSR Act concerning the transactions contemplated hereby and (ii) promptly comply with or cause to be complied with any requests by the Federal Trade Commission or the United States Department of Justice for additional information concerning such transactions. The filing fees payable in connection with the filings required by the HSR

Act in connection with the transaction contemplated hereby shall be borne by Buyer. Each party shall have a right to review in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in Items 2 and 3 of the Antitrust Improvements Act Notification and Report Form for certain mergers and acquisitions made in connection with the transactions contemplated hereby. For the avoidance of doubt, no party shall be required to provide to any other party a copy of any documents filed by it pursuant to Item 4(c) the of the Antitrust Improvements Act Notification and Report Form. Subject to (c) below, each party shall, and shall cause its Affiliates to, promptly consult with the other with respect to, provide any necessary information with respect to, and provide copies of all filings made by such party with any Governmental Authority or any other information supplied by such party to a Governmental Authority in connection with this Agreement and the Related Agreements and the transactions contemplated hereby and thereby. Each party shall, and shall cause their respective Affiliates to, with respect to a threatened or pending preliminary or permanent injunction or other order, decree or ruling or statute, rule, regulation or executive order that would adversely affect the ability of any party to this Agreement or any Related Agreement to consummate the transactions contemplated hereby or thereby, use their respective reasonable best efforts to prevent the entry, enactment or promulgation thereof, as the case may be (including by pursuing any available appeal process). Each of Buyer and Southern Union shall use its respective reasonable best efforts to, and shall cause their respective Affiliates to use their reasonable best efforts to, promptly take or cause to be taken all actions necessary to comply with any requests made, or conditions set, by a Governmental Authority to consummate the transactions contemplated hereby, including, subject to the receipt of all required third party consents (including those of lenders, shareholders and partners), with respect to Panhandle (but subject to Section 6.1 (b)) and each Section 5.4 (b) Person, the divestiture of assets. Each party agrees to use its reasonable best efforts to procure any third-party consents required in the preceding sentence. Notwithstanding the foregoing, none of Southern Union or its Subsidiaries (i) shall be required to divest any asset or modify any arrangement with respect to any of its respective operations that would have a material adverse impact on the Section 5.4 (b) Person which holds the asset to be divested or is a party to the arrangement to be modified or on any other Section 5.4 (b) Person or (ii) shall be required to take or refrain from taking any action if such action or refraining would have a material adverse impact on the Section 5.4 (b) Person so acting or refraining or on any other Section 5.4 (b) Person. Without limiting the foregoing, in no event shall any of Buyer's Affiliates be required to take any action to obtain the consent or approval of any Governmental Authority to the transactions contemplated hereby if such Governmental Authority imposes on such Affiliate as a condition to obtaining any such consent any limitations or conditions materially adverse to the businesses and activities engaged in by Southern Union and its Subsidiaries taken as a whole (any such condition or limitation described in this paragraph being referred to herein as a "Burdensome Condition").

(c) Without limiting the generality of the undertakings pursuant to this Section 5.4 and subject to appropriate confidentiality protections and limitations set forth in Section 5.4 (b) above, Seller, Buyer and their respective Affiliates shall each furnish to the parties to this Agreement such necessary information and reasonable assistance a party may request in connection with the foregoing and, shall each provide

counsel for the other party with copies of all filings made by such party or such Affiliate, and all correspondence between such party or such Affiliate (and its advisors) with any Governmental Authority and any other information supplied by such party and such party's Affiliates to a Governmental Authority in connection with this Agreement and the transactions contemplated hereby, provided, however, that materials may be redacted (i) to remove references concerning the valuation of Panhandle or the Panhandle Subsidiaries, (ii) as necessary to comply with contractual arrangements, and (iii) to remove information that is proprietary. Subject to Applicable Law and Section 5.4 (b) hereof, each party shall, and shall cause its Affiliates to, permit counsel for the other party to review in advance, and consider in good faith the views of the other party in connection with, any proposed written communication to any Governmental Authority. Seller, Buyer and Southern Union agree not to participate, or to permit their Affiliates to participate, in any substantive meeting or discussion, either in person or by telephone, with any Governmental Authority in connection with this Agreement and the transactions contemplated hereby unless it consults with the other party in advance and, to the extent not prohibited by such Governmental Authority, gives the other party the opportunity to attend and participate. Upon the terms and subject to the conditions herein provided, in case at any time after the Closing Date any further action is necessary or desirable to secure the approvals from any and all Governmental Authority necessary to carry out the purposes of this Agreement, the proper officers and/or directors of the parties shall use their reasonable best efforts to take or cause to be taken all such necessary action.

Section 5.5 Further Assurances.

On and after the Closing Date, Seller and Buyer shall cooperate and use their respective reasonable best efforts to take or cause to be taken all appropriate actions and do, or cause to be done, all things necessary or appropriate to consummate and make effective the transactions contemplated hereby, including the execution of any additional documents or instruments of any kind, the obtaining of consents which may be reasonably necessary or appropriate to carry out any of the provisions hereof and the taking of all such other actions as such party may reasonably be requested to take by the other party hereto from time to time, consistent with the terms of this Agreement and the Related Agreements, in order to effectuate the provisions and purposes of this Agreement and the Related Agreements and the transactions contemplated hereby and thereby.

Section 5.6 Employee Matters.

(a) Buyer shall take all actions necessary and appropriate to ensure that Buyer maintains or adopts one or more defined contribution plans and related trust or trusts (the "Buyer Account Plan") effective as of, or as soon as reasonably practicable but in no event later than 15 days after, the Closing Date for the benefit of the Affected Employees (as defined below). Following the Closing and as soon as practicable following receipt by Seller of (i) a copy of a favorable determination letter issued by the Internal Revenue Service with respect to the Buyer Account Plan or (ii) an opinion, satisfactory to Seller's counsel, of Buyer's counsel that the Buyer Account Plan and its related trust(s) qualify under Section 401(a) and Section 501(a) of the Code, Seller shall provide each Affected Employee who is a participant in the Savings and Incentive

Plan for Employees of Consumers Energy and Other CMS Energy Companies ("Seller's Savings Plan") with the opportunity to receive a distribution of his or her account balance and to elect to "roll over" such account balance to the Buyer Account Plan, subject to and in accordance with the provisions of Seller's Savings Plan and Applicable Law. The Buyer Account Plan shall accept the "roll over" of such account balances, including any outstanding plan loans. Seller shall take all necessary or appropriate action, to the extent consistent with applicable law, to ensure that any plan loans of Affected Employees under the Seller's Savings Plan shall not be deemed distributed prior to the rollover opportunity previously described. Seller shall provide Buyer with copies of such personnel and other records of Seller pertaining to the Affected Employees and such records of any agent or representative of Seller pertaining to the Affected Employees, in each case pertaining to Seller's Savings Plan and as Buyer may reasonably request in order to administer and manage the accounts and assets rolled over to the Buyer Account Plan.

(b) Subject to Section 5.6 (b)(i) and Section 5.6 (h) below, prior to the Closing Date, Seller shall take all actions necessary to cause the following events to occur as of the Closing Date, and shall give notice to all Panhandle Employees that (i) all Affected Employees shall become fully vested with respect to their account balances under the Seller Savings Plan as of the Closing Date, (ii) the active participation of the Affected Employees in those employee benefit plans, programs and arrangements that are not sponsored by Panhandle or the Panhandle Subsidiaries (such plans, programs and arrangements, the "Seller Plans") shall terminate on the Closing Date, and (iii) Panhandle and the Panhandle Subsidiaries shall terminate participation of Affected Employees in the Seller Plans as of the Closing Date. Panhandle and the Panhandle Subsidiaries shall be solely responsible (except as provided in Section 8.2 (a)(iii)) for all obligations and Liabilities under each employee benefit plan listed in Section 3.12 (c) of the Seller Disclosure Letter in existence as of the Closing Date, and each employee benefit plan that they establish, maintain or contribute to, on or after the Closing Date, and no such obligations or Liabilities shall be assumed or retained by Seller or its Affiliates. Seller shall retain all obligations or Liabilities and assets with respect to current and former Panhandle Employees or otherwise under all Seller Plans, and no such obligations or Liabilities shall be assumed or retained by Buyer or its affiliates, including after the transactions contemplated hereby, Panhandle and the Panhandle Subsidiaries.

(i) Notwithstanding the foregoing, any Affected Employee who is unable to report to work with Buyer as of the Closing Date due to disability (each, a "Disabled Employee"), shall continue to be eligible for any applicable long-term disability and life insurance coverage pursuant to Seller's plans until such Disabled Employee returns to active employment with Buyer, Panhandle or the Panhandle Subsidiaries; provided, however, that in order to be eligible for such benefits, each such Disabled Employee, pending approval for long-term disability benefits or return to active employment, must continue to pay all applicable long-term disability and life insurance premiums due following the Closing Date for such coverage pursuant to Seller's long-term disability plan and life insurance plans. Buyer shall, or shall cause Panhandle or the Panhandle

Subsidiaries to, (A) pay Disabled Employees who are on short-term disability as of the Closing Date the short-term disability benefits, if any, that apply under Buyer's plans, provided, however, that such benefits need not be provided to the extent that they would duplicate benefits paid under the Seller Plans, and (B) honor any continuing pay or salary obligations and return to work obligations that apply to any such Disabled Employees. Any Disabled Employees who are on short-term disability as of the Closing Date but who subsequently transition to long-term disability shall be eligible for, and covered by, Seller's long-term disability and life insurance coverage, subject to the provisions of this Section 5.6 (b)(i).

(c) As of the Closing Date, Buyer shall cause Panhandle and the Panhandle Subsidiaries to continue to employ all of the Affected Employees as of the Closing Date, other than those Affected Employees whose employment is covered by a Panhandle Eastern Pipe Line Company collective bargaining agreement as of the Closing Date, in Comparable Employment for a period of at least one (1) year from and after the Closing Date, or to pay severance if due in accordance with the terms of the Separation Allowance Plan for Employees of Panhandle and the Panhandle Subsidiaries or the Executive Separation Allowance Plan for Employees of Panhandle and the Panhandle Subsidiaries, as applicable. Notwithstanding the terms of the preceding sentence, Buyer shall cause Panhandle and the Panhandle Subsidiaries to employ all Affected Employees who are officers of Panhandle and the Panhandle Subsidiaries in Comparable Employment for a period of at least two (2) years from and after the Closing Date, or to pay severance if due in accordance with the terms of the Executive Separation Allowance Plan for Designated Officers of Panhandle and the Panhandle Subsidiaries or the Executive Separation Allowance Plan for Designated Senior Officers of Panhandle Eastern Pipe Line Company, as applicable. Employment of, and severance payments, if any, payable to, Affected Employees whose employment is covered by a Panhandle Eastern Pipe Line Company collective bargaining agreement as of the Closing Date shall be governed by the applicable collective bargaining agreement.

(d) For no less than one-year following the Closing Date, Buyer shall, and shall cause Panhandle and the Panhandle Subsidiaries, to provide the Affected Employees with employee benefits that are substantially similar in the aggregate to those provided under the Seller Plans as such plans are to be in effect for 2003; provided, however, that Buyer shall not be obligated to replace any equity based plans in which Affected Employees could participate prior to Closing. With respect to those employee benefit plans of Panhandle and the Panhandle Subsidiaries or other Affiliates of Buyer ("Buyer Plans") in which Affected Employees may participate on or after the Closing Date, Buyer shall, and shall cause Panhandle and the Panhandle Subsidiaries to, credit prior service of the Affected Employees with Panhandle and the Panhandle Subsidiaries for purposes of eligibility and vesting under Buyer Plans and for all purposes with respect to vacation, sick days, severance and post-employment benefits other than pensions ("PBOPs") under such Buyer Plans to the extent that such service was recognized under the analogous Employee Benefit Plans, provided however that such service need not be credited to the extent it would result in a duplication of benefits. Following the Closing Date, Buyer shall, or shall cause Panhandle and the Panhandle Subsidiaries to, honor the

accrued vacation and sick days of the Affected Employees which remain unused as of the Closing Date to the extent such accruals are shown on the Closing Balance Sheet. Affected Employees shall also be given pro rata credit for any deductible or co-insurance payment amounts payable in respect of the Buyer Plan year in which the Closing Date occurs, to the extent that, following the Closing Date, they participate in any Buyer Plan during such plan year for which deductibles or co-payments are required. Any preexisting condition restrictions and waiting period limitations which were deemed satisfied with respect to a particular person under any Employee Benefit Plan immediately prior to the Closing Date shall be deemed satisfied by Buyer and its Affiliates under Buyer Plans with respect to such person on and after the Closing Date. Seller has provided Buyer a list of Affected Employees and the status of such Affected Employees as of the Closing Date under Seller Plans providing for PBOPs, for the purpose of avoiding duplication of benefits.

(e) Subject to the final sentence of this Section 5.6 (e), Buyer agrees that, at the request of Seller, it shall cause Panhandle and the Panhandle Subsidiaries to make bonus payments to the bonus-eligible Affected Employees (as determined by Seller) for performance in the 2002 calendar year from funds made available by Seller for such purposes, which bonus payments shall be available as a tax deduction to Seller and Panhandle attributable to the pre-Closing Tax period. Buyer shall cause such payments to be made by Panhandle and the Panhandle Subsidiaries as soon as practicable after Buyer is informed by Seller of the bonus amounts to be paid to each bonus-eligible Affected Employee by name, as authorized by the Board of Directors of Parent. Seller and Buyer agree that the calculation of Net Working Capital Amount shall not reflect the bonus amounts accrued for the Affected Employees for accounting purposes (the "Bonus Accrual") and that the Bonus Accrual shall be transferred to the books of Seller as of the Closing Date. To the extent not funded in advance, Seller shall promptly reimburse Buyer for the bonus amounts so paid (and the employer's share of any payroll taxes associated therewith), which reimbursement shall be treated as an adjustment to the Purchase Price. Seller and Buyer shall cooperate with respect to the development and distribution of any employee communications to be made to the Affected Employees after the Closing Date relating to 2002 bonuses.

(f) Buyer, Panhandle and the Panhandle Subsidiaries shall be responsible for all Liabilities and obligations under the Worker Adjustment and Retraining Notification Act and similar foreign, state and local rules, statutes and ordinances resulting from the actions of Buyer, Panhandle or the Panhandle Subsidiaries after the Closing Date. Buyer agrees to hold Seller harmless in accordance with Article VIII for any breach of such responsibility and Buyer's indemnification of Seller in this regard specifically includes any Claim by the Affected Employees for back pay, front pay, benefits or compensatory or punitive damages, any Claim by any Governmental Authority for penalties regarding any issue of prior notification (or lack thereof) of any plant closing or mass layoff occurring after the Closing Date and Seller's costs, including reasonable attorney's fees, in defending any such Claims.

(g) Notwithstanding the foregoing provisions of this Section 5.6, Buyer shall cause all obligations of Panhandle Eastern Pipe Line Company pursuant to

existing collective bargaining agreements (which agreements are listed in Section 3.13 of the Seller Disclosure Letter) to be honored following the Closing.

(h) Parent or its Affiliates shall retain all assets that are accumulated through the Closing Date under Financial Accounting Standards Board Statement 106 (and deposited in various VEBA accounts and 401(h) accounts of Parent or its Affiliates). Further, Parent or its Affiliates shall retain the liability for PBOP for the benefit of former Panhandle Employees who are retirees of Panhandle and/or the Panhandle Subsidiaries as of the Closing Date, and Affected Employees who are eligible to retire and qualified for benefits under PBOP as of the Closing Date, and Parent or its Affiliates shall retain the responsibility for providing post-retirement benefits (other than pension) to such employees pursuant to the eligibility requirements of the Seller Plans. Seller shall provide a list of retirees and Affected Employees who are eligible to retire as of the Closing Date.

Section 5.7 Tax Covenants.

(a) Section 338(h)(10) Election.

(i) Seller and Buyer shall jointly make an election under Section 338(h)(10) of the Code (and any comparable provision of applicable state or local income tax law) with respect to the purchase of the Panhandle Shares by Buyer (and with respect to the Panhandle Subsidiaries for which such an election may be made) and shall cooperate with each other to take all actions necessary and appropriate (including filing such additional forms, returns, elections schedules and other documents as may be required) to effect and preserve a timely election, in accordance with the provisions of Treasury Regulation Section 1.338(h)(10)-1 (or any comparable provisions of state or local tax law) (the "Election").

(ii) In connection with the Election, Buyer and Seller shall mutually prepare a Form 8023 (or successor form) with any attachments. Buyer shall prepare a draft Form 8023 and provide such draft Form 8023 to Seller no later than ninety (90) days prior to the due date of such Form 8023. If, within thirty (30) days of the receipt of the draft Form 8023, Seller notifies Buyer that it disagrees with the draft Form 8023 and provides Buyer with its proposed Form 8023 and a written or oral explanation of the reasons for its adjustment, then Seller and Buyer shall attempt to resolve their disagreement within the twenty (20) days following Seller's notification of Buyer of such disagreement, otherwise, the draft Form 8023 shall become the final Form 8023 (the "Final Form 8023"). If Seller and Buyer are unable to resolve their disagreement, the dispute shall be submitted to a mutually agreed upon nationally recognized independent accounting firm, whose expense shall be borne equally by Seller and Buyer, for resolution within twenty (20) days of such submission. The Form 8023 delivered by such accounting firm shall be

the Final Form 8023. The Final Form 8023 shall be binding on Buyer, Seller, and their respective Affiliates. Buyer and Seller shall take no position, and cause their respective Affiliates to take no position, inconsistent with the Final Form 8023.

(iii) Buyer and Seller shall mutually prepare any forms or schedules similar to Form 8023 that are required for provisions of state or local law that are comparable to Treasury Regulation Section 1.338(h)(10)-1 in a manner similar to the above procedure. In the event that the Final Form 8023 (or similar forms or schedules required for provisions of state or local law) is disputed by any Taxing authority, the party receiving written notice of the dispute shall promptly notify the other party hereto concerning such dispute.

(b) Tax Return Filings, Refunds, and Credits.

(i) Seller shall timely prepare and file (or cause such preparation and filing) with the appropriate Tax authorities all Tax Returns (including any Consolidated Income Tax Returns) with respect to Panhandle and the Panhandle Subsidiaries (and make all elections with respect to such Tax Returns) for Tax periods that end on or before the Closing Date (the "Seller Returns"), and will pay (or cause to be paid) all Taxes due with respect to the Seller Returns.

(ii) Buyer shall timely prepare and file (or cause such preparation and filing) with the appropriate Tax authorities all Tax Returns (the "Straddle Period Returns") with respect to Panhandle and the Panhandle Subsidiaries (and make all elections with respect to such Tax Returns) for all Tax periods ending after the Closing Date that include the Closing Date (the "Straddle Period"). All Straddle Period Returns shall be prepared in accordance with past practice to the extent consistent with applicable law and Panhandle's and the Panhandle Subsidiaries' operations. Buyer shall provide Seller with copies of any Straddle Period Returns at least forty-five (45) days prior to the due date thereof (giving effect to any extensions thereto), accompanied by a statement (the "Straddle Statement") setting forth and calculating in reasonable detail the Pre-Closing Taxes as defined below. If Seller agrees with the Straddle Period Return and Straddle Statement, Seller shall pay to Buyer (or Buyer shall pay to Seller, if appropriate) an amount equal to the Pre-Closing Taxes as shown on the Straddle Statement not later than two (2) Business Days before the due date (including any extensions thereof) for payment of Taxes with respect to such Straddle Period Return. If, within fifteen (15) days of the receipt of the Straddle Period Return and Straddle Statement, Seller notifies Buyer that it disputes the manner of preparation of the Straddle Period Return or the amount calculated in the Straddle Statement, and provides Buyer its proposed form of Straddle Period Return, a statement setting forth and calculating in reasonable detail the

Pre-Closing taxes, and a written or oral explanation of the reasons for its adjustment, then Buyer and Seller shall attempt to resolve their disagreement within the five (5) days following Seller's notification or Buyer of such disagreement. If Buyer and Seller are unable to resolve their disagreement, the dispute shall be submitted to a mutually agreed upon nationally recognized independent accounting firm, whose expense shall be borne equally by Buyer and Seller, for resolution within twenty (20) days of such submission. The decision of such accounting firm with respect to such dispute shall be binding upon Buyer and Seller, and Seller shall pay to Buyer (or Buyer shall pay to Seller, if appropriate) an amount equal to the Pre-Closing Taxes as decided by such accounting firm not later than two (2) Business Days before the due date (including any extensions thereof) for payment of Taxes with respect to such Straddle Period Return. If for any reason the parties' dispute is not resolved as provided in this paragraph prior to the date that is two (2) Business Days before the due date (including any extensions thereof) for payment of Taxes with respect to such Straddle Period Return, Seller shall pay to Buyer (or Buyer shall pay to Seller, if appropriate) an amount equal to the amount of Pre-Closing Taxes not in dispute not later than two (2) Business Days before the due date (including any extensions thereof) for payment of Taxes with respect to such Straddle Period Return.

(iii) From and after the Closing Date, Buyer and its Affiliates (including Panhandle and the Panhandle Subsidiaries) will not file any amended Tax Return, carryback claim, or other adjustment request with respect to Panhandle or the Panhandle Subsidiaries for any Tax period that includes or ends on or before the Closing Date unless Seller consents in writing; provided, however, that Buyer and its affiliates may carryback for its own account (without paying any resulting refund or credit to Seller) any loss attributable to a tax period ending after the Closing Date to a tax period ending on or before the Closing Date provided that Buyer and its Affiliates shall indemnify and make Seller whole for any detriment or cost incurred (or to be incurred) by Seller as a result of such carryback.

(iv) For purposes of this Agreement, in the case of any Taxes of Panhandle or the Panhandle Subsidiaries that are payable with respect to any Straddle Period, the portion of any such Taxes that constitutes "Pre-Closing Taxes" shall be the excess of (A) (i) in the case of Taxes that are either (x) based upon or related to income or receipts or (y) imposed in connection with any sale, transfer or assignment or any deemed sale, transfer or assignment of property (real or personal, tangible or intangible) be deemed equal to the amount that would be payable if the Tax period ended at the close of business on the Closing Date (including without limitation all Taxes attributable to any Election) and (ii) in the case of Taxes (other than those described in clause (i)) imposed on a periodic basis with respect to the business or assets of Panhandle or the

Panhandle Subsidiaries, be deemed to be the amount of such Taxes for the entire Straddle Period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding Tax period) multiplied by a fraction the numerator of which is the number of calendar days in the portion of the Straddle Period ending on and including the Closing Date and the denominator of which is the number of calendar days in the entire Straddle Period over (B) any prepayment or advances of Taxes or any payments of estimated Taxes with respect to the Straddle Period. For purposes of clause (i) of the preceding sentence, any exemption, deduction, credit or other item that is calculated on an annual basis shall be allocated to the portion of the Straddle Period ending on the Closing Date on a pro rata basis determined by multiplying the total amount of such item allocated to the Straddle Period by a fraction, the numerator of which is the number of calendar days in the portion of the Straddle Period ending on the Closing Date and the denominator of which is the number of calendar days in the entire Straddle Period. Pre-Closing Taxes include any Taxes attributable to a Person that is treated as a partnership for federal income tax purposes as if such Person allocated Tax items to its partners in a manner consistent with this Section 5.7 (b)(iv). In the case of any Tax based upon or measured by capital (including net worth or long-term debt) or intangibles, any amount thereof required to be allocated under this Section 5.7 (b)(iv) shall be computed by reference to the level of such items at the close of business on the Closing Date. The parties hereto will, to the extent permitted by Applicable Law, elect with the relevant Tax authority to treat a portion of any Straddle Period as a short taxable period ending as of the close of business on the Closing Date. For purposes of this Agreement, "Post-Closing Taxes" shall include any Taxes of Panhandle or the Panhandle Subsidiaries that are payable with respect to a Straddle Period, except for the portion of any such Taxes that constitutes Pre-Closing Taxes. For purposes of this Agreement, the Texas corporate franchise tax determined based on the income or capital of any entity for the year during which the Closing Date occurs shall be considered to be a Tax due with respect to the Straddle Period.

(v) Seller and Buyer shall reasonably cooperate in preparing and filing all Tax Returns with respect to Panhandle or the Panhandle Subsidiaries, including maintaining and making available to each other all records reasonably necessary in connection with Taxes of Panhandle or the Panhandle Subsidiaries and in resolving all disputes and audits with respect to all Tax periods relating to Taxes of Panhandle or the Panhandle Subsidiaries.

(vi) For a period of six (6) years after the Closing Date, Seller and its representatives shall have reasonable access to the books and records (including the right to make extracts thereof) of Panhandle or the Panhandle Subsidiaries to the extent that such books and

records relate to Taxes and to the extent that such access may reasonably be required by Seller in connection with matters relating to or affected by the operation of Panhandle or the Panhandle Subsidiaries prior to the Closing Date. Such access shall be afforded by Buyer upon receipt of reasonable advance notice and during normal business hours. If Buyer shall desire to dispose of any of such books and records prior to the expiration of such six-year period, Buyer shall, prior to such disposition, give Seller a reasonable opportunity, at Seller's expense, to segregate and remove such books and records as Seller may select.

(vii) If a Tax Indemnified Party receives a refund or credit or other reimbursement with respect to Taxes for which it would be indemnified under this Agreement, the Tax Indemnified Party shall pay over such refund or credit or other reimbursement to the Tax Indemnifying Party.

(viii) Buyer shall not, and shall cause Panhandle or the Panhandle Subsidiaries to not, make, amend or revoke any Tax election if such action would adversely affect any of Seller or its Affiliates with respect to any Tax period ending on or before the Closing Date or for the Pre-Closing Period or any Tax refund with respect thereto unless Buyer and its Affiliates indemnify and make Seller whole for any detriment or cost incurred (or to be incurred) by Seller as a result of such action.

(ix) For purposes of this Agreement a "Consolidated Income Tax Return" is any income Tax Return filed with respect to any consolidated, combined, affiliated or unified group provided for under Section 1501 of the Code and the Treasury regulations under Section 1502 of the Code, or any comparable provisions of state or local law, other than any income Tax Return that includes only Panhandle or the Panhandle Subsidiaries.

(c) Indemnity for Taxes.

(i) Seller hereby agrees to indemnify Buyer and its affiliates against and hold them harmless from and against all liability for (i) all Taxes imposed on Panhandle or the Panhandle Subsidiaries with respect to Tax periods ending on or before the Closing Date, including without limitation all Taxes incurred by reason of any Election, (ii) Pre-Closing Taxes with respect to any Straddle Period, and (iii) all Taxes that are attributable to Seller or any member of an affiliated, consolidated, combined or unitary Tax group of which at least one of Panhandle or the Panhandle Subsidiaries (or any direct or indirect predecessor(s) of any of them) was a member at any time on or prior to the Closing Date and not after the Closing Date that is imposed under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Tax law), (iv)

any Taxes of Panhandle or any Panhandle Subsidiary incurred as a transferee or a successor relating to any full or partial Tax period ending on or before the Closing Date, (v) Seller's portion of Transfer Taxes pursuant to Section 5.7(g), and (vi) any Damages arising out of, resulting from, or incurred in connection with any breach or inaccuracy of any representation or warranty set forth in Section 3.16; provided that the determination of whether such a breach or inaccuracy of Section 3.16(c), Section 3.16(d) or Section 3.16(e) occurred will be made without the Material Adverse Effect qualifications contained therein.

(ii) Buyer hereby agrees to indemnify Seller and its Affiliates against and hold them harmless from all liability for (A) all Taxes of Panhandle or the Panhandle Subsidiaries with respect to all Tax periods beginning after the Closing Date, (B) Post-Closing Taxes with respect to any Straddle Period, and (C) Buyer's portion of Transfer Taxes pursuant to Section 5.7 (g).

(iii) The obligation of Seller to indemnify and hold harmless Buyer, on the one hand, and the obligations of Buyer to indemnify and hold harmless Seller, on the other hand, pursuant to this Section 5.7 shall terminate upon the expiration of the applicable statutes of limitations with respect to the Tax Liabilities in question (giving effect to any waiver, mitigation or extension thereof) or if a Claim is brought with respect thereto, until such time as such Claim is resolved.

(d) Certain Payments. Buyer and Seller agree to treat (and cause their Affiliates to treat) any payment by Seller under Section 5.7 (b)(ii) or Section 5.7 (c) as an adjustment to the Purchase Price for all Tax purposes.

(e) Contests.

(i) After the Closing Date, Seller and Buyer each shall notify the other party in writing within ten (10) days of the commencement of any Tax audit or administrative or judicial proceeding affecting the Taxes of any of Panhandle or the Panhandle Subsidiaries that, if determined adversely to the taxpayer (the "Tax Indemnified Party") or after the lapse of time would be grounds for indemnification under this Section 5.7 by the other party (the "Tax Indemnifying Party" and a "Tax Claim"). Such notice shall contain factual information describing any asserted Tax liability in reasonable detail and shall include copies of any notice or other document received from any Tax authority in respect of any such asserted Tax liability. Failure to give such notification shall not affect the indemnification provided in this Section 5.7 except to the extent the Tax Indemnifying Party shall have been prejudiced as a result of such failure (except that the Tax Indemnifying Party shall not be liable for any expenses incurred during the period in which the Tax Indemnified Party failed to give such notice). Thereafter, the Tax Indemnified Party shall

deliver to the Tax Indemnifying Party, as promptly as possible but in no event later than ten (10) days after the Tax Indemnified Party's receipt thereof, copies of all relevant notices and documents (including court papers) received by the Tax Indemnified Party.

(ii) In the case of an audit or administrative or judicial proceeding involving any asserted liability for Taxes relating to any Taxable years or periods ending on or before the Closing Date, Seller shall have the right, at its expense, to control the conduct of such audit or proceeding; provided, however, that if Seller does not timely take control of such audit or proceeding, Buyer may, at its expense, control the conduct of the audit or proceeding. In the case of an audit or administrative or judicial proceeding involving any asserted liability for Taxes relating to any Straddle Period, Buyer shall have the right, at its expense, to control the conduct of such audit or proceeding; provided, however, that (A) Buyer shall keep Seller reasonably informed with respect to the status of such audit or proceeding and provide Seller with copies of all written correspondence with respect to such audit or proceeding in a timely manner and (B) if such audit or proceeding would be reasonably expected to result in a material increase in Tax liability of Panhandle or the Panhandle Subsidiaries for which Seller would be liable under this Section 5.7 Seller may participate in the conduct of such audit or proceeding at its own expense.

(iii) In the case of an audit or administrative or judicial proceeding involving any asserted liability for Taxes relating to any Taxable years or periods beginning after the Closing Date, Buyer shall have the right, at its expense, to control the conduct of such audit or proceeding.

(iv) Buyer and Seller shall reasonably cooperate in connection with any Tax Claim, and such cooperation shall include the provision to the Tax Indemnifying Party of records and information which are reasonably relevant to such Tax Claim and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

(f) Section 743 Determination.

(i) Buyer and Seller shall reasonably cooperate with each other with respect to making any election under Section 754 of the Code for any Panhandle Subsidiary or any Related Company. Prior to making any adjustments pursuant to Section 743 of the Code as a result of the transactions contemplated by this Agreement Buyer shall prepare a schedule indicating such adjustments that Buyer proposes to make (the "743 Schedule") and provide such schedule to Seller. If, within ten (10) days of the receipt of the 743 Schedule, Seller notifies Buyer that it

disagrees with the 743 Schedule and provides Buyer with its proposed 743 Schedule and a written or oral explanation of the reasons for the adjustment, then Seller and Buyer shall attempt to resolve their disagreement within the twenty (20) days following Buyer's notification of Seller of such disagreement, otherwise, the 743 Schedule shall be deemed the final 743 Schedule (the "Final 743 Schedule"). If Seller and Buyer are unable to resolve their disagreement, the dispute shall be submitted to a mutually agreed upon nationally recognized independent accounting firm, whose expense shall be borne equally by Seller and Buyer, for resolution within twenty (20) days of such submission. The 743 Schedule delivered by such accounting firm shall be the Final 743 Schedule. The Final 743 Schedule shall be binding on Buyer, Seller, and their respective Affiliates. Buyer and Seller shall take no position, and cause their respective Affiliates to take no position, inconsistent with the Final 743 Schedule.

(ii) Buyer and Seller shall mutually prepare any forms or schedules necessary to give effect to the preceding paragraph. In the event that any Tax position taken in reliance upon the Final 743 Schedule is disputed by any Taxing authority, the party receiving written notice of the dispute shall promptly notify the other party hereto concerning such dispute.

(g) Transfer and Similar Taxes. Notwithstanding any other provisions of this Agreement to the contrary, all sales, use, transfer, gains, stamp, duties, recording and similar Taxes (collectively, "Transfer Taxes") incurred in connection with the transactions contemplated by this Agreement shall be borne equally by Buyer and Seller, and Seller shall accurately file all necessary Tax Returns and other documentation with respect to Transfer Taxes and timely pay all such Transfer Taxes. If required by Applicable Law, Buyer will join in the execution of any such Return. Seller shall provide copies of any Tax Returns with respect to Transfer Taxes to Buyer no later than five (5) days after the due dates of such Tax Returns.

(h) Termination of Tax Sharing Agreements. On or prior to the Closing Date, Seller shall cause all Tax sharing agreements between Seller or any of its Affiliates (as determined immediately after the Closing Date) on the one hand, and Panhandle or the Panhandle Subsidiaries on the other hand, to be terminated, and all obligations thereunder shall be settled, and no additional payments shall be made under any provisions thereof after the Closing Date.

Section 5.8 Intercompany Accounts.

Except as set forth on Section 5.8 of the Seller Disclosure Letter or as contemplated by the Assumption Agreement, prior to the Closing Date, Seller shall, and shall cause its Affiliates (other than Panhandle and the Panhandle Subsidiaries) to, settle intercompany accounts payable (including any debt payable) to Panhandle or the Panhandle Subsidiaries and accounts receivable (including any debt receivable) from Panhandle or the Panhandle Subsidiaries. Seller shall determine the method by which

such intercompany accounts are eliminated including, but not limited to, by means of setoff, settlement, capital contribution or reduction in capital.

Section 5.9 Related Agreements.

At the Closing or as otherwise provided herein, (i) Southern Union and Buyer shall execute and deliver to Seller duly executed copies of the Related Agreements to which they are a party and (ii) Seller shall, and shall cause the Seller Counterparties to, execute and deliver to Buyer duly executed copies of the Related Agreements to which they are a party.

Section 5.10 Maintenance of Insurance Policies.

(a) Seller and Buyer agree that Casualty Insurance claims relating to the businesses of Panhandle and the Panhandle Subsidiaries (including reported claims and including incurred but not reported claims) will remain with Panhandle and the Panhandle Subsidiaries immediately following the Closing. For purposes hereof, "Casualty Insurance Claims" shall mean workers' compensation, auto liability, general liability and products liability claims and claims for damages caused to the facilities of Panhandle or the Panhandle Subsidiaries generally insured under all risk, real property, boiler and mechanical breakdown insurance coverage. The Casualty Insurance Claims are subject to the provisions of the Insurance Policies with insurance carriers and contractual arrangements with insurance adjusters maintained by Seller or its Affiliates prior to the Closing. With respect to the Casualty Insurance Claims, the following procedures shall apply: (i) Seller or its Affiliates shall continue to administer, adjust, settle and pay, on behalf of Panhandle and the Panhandle Subsidiaries, all Casualty Insurance Claims with dates of occurrence prior to the date of Closing; provided, that Seller will obtain the consent of Buyer prior to adjusting, settling or paying any Casualty Insurance Claim of an amount greater than $100,000 and provided, further, that Seller shall permit Buyer to join Seller in any settlement negotiations with claimants, insurers, or insurance adjusters; and (ii) Seller shall invoice Panhandle and the Panhandle Subsidiaries at the end of each month for Casualty Insurance Claims paid on behalf of Panhandle and the Panhandle Subsidiaries by Seller. Buyer shall cause Panhandle and the Panhandle Subsidiaries to pay the invoice within thirty (30) days of its date. In the event that Panhandle and the Panhandle Subsidiaries do not pay Seller within thirty (30) days of such invoice, interest at the rate of ten percent (10%) per annum shall accrue on the amount of such invoice. Casualty Insurance Claims to be paid by Seller hereunder shall include all costs necessary to settle claims including compensatory, medical, legal and other allocated expenses, net of insurance proceeds. In the event that any Casualty Insurance Claims exceeds a deductible or self-insured retention under the Insurance Policies, Seller shall be entitled to the benefit of any insurance proceeds that may be available to discharge any portion of such Casualty Insurance Claim.

(b) Other than as set forth in Section 3.21 hereof, Seller makes no representation or warranty with respect to the applicability, validity or adequacy of any Insurance Policies, and Seller shall not be responsible to Buyer or any of its Affiliates for the failure of any insurer to pay under any such Insurance Policy.

(c) Nothing in this Agreement is intended to provide or shall be construed as providing a benefit or release to any insurer or claims service organization of any obligation under any Insurance Policies. Seller and Buyer confirm that the sole intention of this Section 5.10 is to divide and allocate the benefits and obligations under the Insurance Policies between them as of the Closing Date and not to effect, enhance or diminish the rights and obligations of any insurer or claims service organization thereunder. Nothing herein shall be construed as creating or permitting any insurer or claims service organization the right of subrogation against Seller or Buyer or any of their Affiliates in respect of payments made by one to the other under any Insurance Policy.

(d) If Buyer requests a copy of an Insurance Policy relating to a pending or threatened Casualty Insurance Claim, Seller shall provide a copy of all relevant insurance policies which insure such Casualty Insurance Claims within five (5) Business Days, provided, that if Seller cannot provide such policy within five (5) days after exercising reasonable best efforts to locate such policy, Seller shall continue to exercise its reasonable best efforts to provide such policy to Buyer as soon as possible thereafter.

Section 5.11 Preservation of Records.

Buyer agrees that it shall, at its own expense, preserve and keep the records held by it relating to the respective businesses of Panhandle and the Panhandle Subsidiaries that could reasonably be required after the Closing by Seller for as long as may be required for such categories of records for the greater of the time periods required pursuant to the Access and Support Agreement and the time periods required pursuant to the applicable document retention program in effect on the Closing Date (a copy of which has been provided to Buyer). In addition, Buyer shall make such records available to Seller as may reasonably be required by Seller in connection with, among other things, any insurance claim, legal proceeding or governmental investigation relating to the respective businesses of Seller and its Affiliates, including Panhandle and the Panhandle Subsidiaries.

Section 5.12 Public Statements.

On or prior to the Closing Date, neither party shall, nor shall permit its Affiliates to, issue or cause the publication of any press release or other announcement with respect to this Agreement or the transactions contemplated hereby without the consent of the other party hereto. Notwithstanding the foregoing, in the event any such press release or announcement is required by law, court process or stock exchange rule to be made by the party proposing to issue the same, such party shall use its reasonable best efforts to consult in good faith with the other party prior to the issuance of any such press release or announcement.

Section 5.13 Certain Transactions.

Buyer and Southern Union shall not, and shall not permit any of their respective Subsidiaries to acquire or agree to acquire by merging or consolidating with, or by

purchasing a substantial portion of the assets of or equity in, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets if the entering into of a definitive agreement relating to, or the consummation of such acquisition, merger or consolidation would reasonably be expected to (i) impose any material delay in the obtaining of, or significantly increase the risk of not obtaining, any authorizations, consents, orders, declarations or approvals of any Governmental Authority necessary to consummate the transactions contemplated by this Agreement or the expiration or termination of any applicable waiting period, (ii) significantly increase the risk of any Governmental Authority entering an order prohibiting the consummation of the transactions contemplated by this Agreement, (iii) significantly increase the risk of not being able to remove any such order on appeal or otherwise or (iv) materially delay or prevent the consummation of the transactions contemplated by this Agreement. Prior to Closing, Southern Union shall not, and the Subsidiaries of Southern Union shall not, acquire or agree to acquire any ownership interest in Southern Star Central or any material asset of Southern Star Central.

Section 5.14 CMS Panhandle Holdings, LLC.

Buyer covenants to maintain CMS Panhandle Holdings, LLC as a partnership for all Tax purposes through December 31, 2003.

Section 5.15 Change of Corporate Name.

As soon as reasonably practicable following the Closing Date, but in no event later than ninety (90) days following the Closing Date (the "Corporate Name Change Transition Period"), Buyer shall cause each of Panhandle and the Panhandle Subsidiaries, as applicable, to change its corporate name to a name that does not include "CMS" and to make any necessary legal filings with the appropriate Governmental Authorities to effectuate such changes. Buyer shall hold harmless and indemnify Seller Indemnified Parties (as defined herein) against all costs, expenses and Damages to the extent incurred by Seller Indemnified Parties resulting from or arising in connection with Buyer's, Panhandle's or any Panhandle Subsidiary's use of the "CMS" name during the Corporate Name Change Transition Period.

Section 5.16 Transitional Use of Seller's Trademarks.

(a) Seller hereby grants to Panhandle and the Panhandle Subsidiaries, effective upon the Closing Date, a limited non-transferable, non-exclusive, royalty-free transitional right and license to use the trademarks, service marks, and trade names listed on Section 5.16 of the Seller Disclosure Letter, together with all slogans, logotypes, designs and trade dress associated therewith which are, in each case, in existence at Closing Date and currently being used in the conduct of the businesses of Panhandle and the Panhandle Subsidiaries (collectively, the "Seller's Marks") solely on and in connection with the goods and services of the businesses of Panhandle and the Panhandle Subsidiaries and which are embodied in or on any stationery, business cards, advertising and promotional materials, packaging and labels, equipment, manuals and

other documentation, statements of work, trucks, hard hats, e-mail addresses, caller ID, printed facsimile headers and footers, web page content and URLs for web sites, Messenger screens, signs on facilities owned or leased by Panhandle and the Panhandle Subsidiaries, and inventory ("Business Materials"), and for any administrative, corporate and legal use in connection with the transition away from using the Seller's Marks (the "Transitional License").

(b) Panhandle's and the Panhandle Subsidiaries' right to use the Seller's Marks shall automatically cease as soon as reasonably practicable following the Closing Date, but in no event later than six (6) months following the Closing Date. Upon the termination of Panhandle's and the Panhandle Subsidiaries' right to use Seller's Marks, Panhandle and each Panhandle Subsidiary shall immediately cease all use of Seller's Marks and all materials bearing Seller's Marks (such materials to be returned to Seller or destroyed).

(c) All rights and goodwill arising from the use of Seller's Marks and/or any similar names or marks (including logos) shall inure solely to Seller's benefit. Panhandle and the Panhandle Subsidiaries agree that neither Buyer, Panhandle nor any Panhandle Subsidiary shall use, directly or indirectly, the word "CMS" or any marks similar thereto, as part of Buyer's, Panhandle's or any Panhandle Subsidiary's own trade names, or in any other way that suggests that there is any relation or affiliation between Seller and Buyer, or Seller and Panhandle and the Panhandle Subsidiaries, other than that created by this Agreement, or as a trademark, service mark or trade name for any other business, product or service. Panhandle and Panhandle Subsidiaries shall have no interest in Seller's Marks except as expressly provided in this Agreement and shall not claim any other rights therein. Nothing in this Agreement or in the performance thereof, or that might otherwise be implied by law, shall operate to grant Panhandle and the Panhandle Subsidiaries any right, title, or interest in or to Seller's Marks other than as specified in the limited license grant in this Agreement. All rights not expressly granted in this Agreement or herein are reserved to Seller.

(d) Panhandle and the Panhandle Subsidiaries agree to assign to Seller and do hereby assign to Seller all rights they may acquire, if any, by operation of law or otherwise in Seller's Marks, including all applications or registrations therefore, along with the goodwill associated therewith. Panhandle and the Panhandle Subsidiaries shall assist Seller in protecting and maintaining Seller's rights in Seller's Marks in connection with Panhandle's and the Panhandle Subsidiaries' licensed use hereunder, including preparation and execution of documents necessary or appropriate in the ordinary course to register Seller's Marks and/or record this Agreement. As between the parties, Seller shall have the sole right to, and in its sole discretion may, commence, prosecute or defend, and control any action concerning Seller's Marks.

(e) During the term of the Transitional License, Buyer, Panhandle and the Panhandle Subsidiaries shall not take, or agree or commit to take, any action that would or would be reasonably likely have an adverse impact on any of the Seller's Marks.

(f) Neither Buyer, Panhandle, nor any Panhandle Subsidiary shall directly or indirectly, contest the validity of, by act or omission jeopardize, or take any action inconsistent with, Seller's rights in Seller's Marks (including attempting to register Seller's Marks or a mark incorporating either Seller's Marks or the word "CMS" or any mark similar thereto). Panhandle's and the Panhandle Subsidiaries' rights under the license granted herein are personal and may not be sublicensed, assigned or otherwise transferred.

Section 5.17 Reasonable Best Efforts.

Upon the terms and subject to the conditions of this Agreement, each of the parties hereto will use all reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable consistent with applicable law to consummate and make effective in the most expeditious manner practicable the transactions contemplated hereby.

Section 5.18 No Shopping.

From and after the Original Date hereof, none of Seller, Panhandle, the Panhandle Subsidiaries nor their officers, directors, employees, affiliates, stockholders, representatives, agents, nor anyone acting on behalf of them shall, directly or indirectly, encourage, solicit, engage in discussions or negotiations with, or provide any non-public information to, any Person (other than Buyer, Southern Union or their respective representatives) concerning any merger, sale of assets, purchase or sale of Panhandle Shares or similar transaction involving Panhandle or the Panhandle Subsidiaries (collectively, "Prohibited Transactions") unless this Agreement is terminated pursuant to and in accordance with Article VII hereof; provided however, that nothing herein shall prohibit a transaction resulting in a change of control of any direct or indirect parent of Panhandle.

Section 5.19 Southern Union Covenants.

Southern Union shall cause Buyer to perform all of its obligations under this Agreement which are required to be performed on and prior to the Closing Date, including, without limitation, Buyer's requirement to consummate the transaction in accordance with and subject to the terms of Section 2.2 hereof and to pay the Purchase Price in accordance with Article II.

Section 5.20 Restated Financials.

Seller shall use its reasonable best efforts to deliver the Restated Financials to Buyer as soon as reasonably practicable after the date of this Agreement. Seller shall instruct Ernst & Young LLP to conduct an audit of the financial statements of Panhandle and the Panhandle Subsidiaries for the fiscal year ended December 31, 2002 as soon as reasonably practicable after Panhandle management completes such financial statements, Seller shall cooperate with such audit, and shall deliver to Buyer a copy of the audited financial statements of Panhandle and the Panhandle Subsidiaries for the fiscal year ended December 31, 2002 and Ernst & Young LLP's audit opinion thereon upon receipt

of same. To the extent Buyer reasonably requires audited or reviewed financial statements with respect to Panhandle and the Panhandle Subsidiaries in order to comply with the reporting requirements of the Securities and Exchange Commission set forth in Regulations S-K and S-X, Seller will reasonably cooperate with Buyer (at Buyer's cost), including any reasonable request that Seller instruct Ernst & Young LLP to prepare and deliver to Buyer a comfort letter, customary in scope and substance for comfort letters delivered in similar circumstances.

Section 5.21 1935 Act Jurisdiction.

Neither Southern Union and its Affiliates nor Seller and its Affiliates shall take any action that would cause the transactions contemplated by this Agreement to require any filing, approval or consent under the Public Utility Holding Company Act of 1935, as amended.

Section 5.22 Registration of Southern Union Shares.

(a) Prior to Closing, Southern Union shall prepare and file with the SEC a prospectus supplement (the "Prospectus Supplement") to the Shelf Registration Statement to effect the registration of the Southern Union Shares. Southern Union shall use its reasonable best efforts to keep the Shelf Registration Statement effective as long as is necessary to consummate the sale of the Southern Union Shares by Seller. Seller and its Affiliates shall cooperate with Southern Union in timely obtaining any consents, approvals, or waivers or making any filings, or furnishing information required in connection with the Prospectus Supplement.

(b) Southern Union will advise Seller, promptly after it receives notice thereof, of the issuance of any stop order or the suspension of the qualification of the Southern Union Shares for offering or sale in any jurisdiction.

ARTICLE VI
CONDITIONS

Section 6.1 Mutual Conditions to the Closing.

The respective obligations of each party to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver of each of the following conditions at or prior to the Closing Date:

(a) Any waiting period (and any extension thereof) applicable to the consummation of the transactions contemplated by this Agreement under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), shall have expired or have been terminated;

(b) All waiting periods applicable to the transactions contemplated by this Agreement or any Related Agreement under any applicable other law shall have expired or been terminated, and all filings required by law to be made prior to Closing by Seller, Southern Union or Buyer with, and all consents, approvals and

authorizations required by law to be obtained prior to Closing by Seller, Southern Union or by Buyer from, any Governmental Authority under any law in order to consummate the transactions contemplated by this Agreement shall have been made or obtained (as the case may be), except where the failure for such waiting periods to expire or to be terminated, to make such filings, or to obtain any such authorizations, individually or in the aggregate, would not have a Material Adverse Effect; provided, however, if any consent, approval or authorization from any Governmental Authority the absence of which would not have a Material Adverse Effect is not obtained prior to or at the Closing and, as a result, the transfer of one or more assets, rights or interests is prevented at the Closing, from and after the Closing, Seller, Southern Union and Buyer shall continue to use their reasonable best efforts to obtain such requisite consent, approval or authorization. If the parties are unable to obtain the necessary approvals and, as a result, such assets, rights or interests may not be transferred to Buyer within 90 days after the Closing, the parties shall mutually agree on an acceptable adjustment to the Purchase Price to reflect the fair market value of such assets, rights or interests as of the Closing Date; and

(c) No court of competent jurisdiction or other competent Governmental Authority shall have issued a statute, rule, regulation, order, decree or injunction or taken any other action that has the effect of restraining, enjoining, imposing a Burdensome Condition or otherwise prohibiting in any material respect the ownership by Buyer of the Panhandle Shares or the ownership or operation by Buyer of a material portion of the business or assets of Panhandle and the Panhandle Subsidiaries, taken as a whole.

Section 6.2 Buyer's Conditions to the Closing.

The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver of each of the following conditions at or prior to the Closing Date:

(a) The representations and warranties of Seller contained in this Agreement (i) if subject to any limitations as to "materiality" or "Material Adverse Effect," shall be true and correct at and as of the Closing Date as if made at and as of such time, and (ii) if not subject to any limitations as to "materiality" or "Material Adverse Effect," shall be true and correct at and as of the Closing Date as if made at and as of such time, except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and except in the case of clauses (i) or (ii) for the representations and warranties set forth in Section 3.7 (a) (Contracts), Section 3.7 (b) (Contracts), the second sentence of Section 3.6 (Financial Information), the first sentence of Section 3.21 (b) and the last sentence of Section 3.22 , each of which shall be true and correct only as of the date set forth in such representation or warranty);

(b) Seller and its Affiliates shall have made all deliveries required under Section 2.6;

(c) Seller shall have performed in all material respects all of its obligations required to be performed by it under this Agreement at or prior to the Closing Date;

(d) Seller shall have, or shall have caused the appropriate Seller Counterparty to have, executed and delivered as of the Closing each of the Related Agreements to be executed by Seller or a Seller Counterparty;

(e) Buyer shall have received a properly executed statement of Seller dated as of the Closing Date and conforming to the requirements of Treasury Regulation Section 1.1445-2(b)(2);

(f) Seller shall have delivered to Buyer an opinion, dated as of the Closing Date, from a nationally recognized appraisal firm addressed to Seller, that Seller and its Subsidiaries on a consolidated basis are solvent, both immediately before and after giving effect to the consummation of the transactions contemplated by this Agreement;

(g) Seller shall have obtained all approvals, consents, releases and documents which are listed in Section 6.2 (g) of the Seller Disclosure Letter;

(h) Buyer shall have received a legal opinion, dated as of the Closing Date, from counsel to Seller, substantially in the form of Exhibit E hereto;

(i) Seller shall have delivered to Buyer (and shall have filed with the Securities and Exchange Commission) the restated audited financial statements of Panhandle for each of the fiscal years ended December 31, 2000 and December 31, 2001 (including the opinion of Ernst & Young LLP with respect thereto) (the "Annual Financial Statements") and the restated unaudited financial statements of Panhandle for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002 (which quarterly financial statements shall have been reviewed by Ernst & Young LLP in accordance with the applicable rules and regulations of the SEC) (collectively with the Annual Financials Statements, the "Restated Financials"), and except as set forth in Section 6.2 (i) of the Seller Disclosure Letter, the Restated Financials (including the notes thereto) shall correspond in all material respects to the draft Restated Financials (and draft notes thereto) delivered to Buyer prior to the date of this Agreement, and any footnotes with respect to any restated quarterly financial statements shall be the same in all material respects as such footnotes in the Interim Financial Statements, except for corresponding changes reflected in the Annual Financial Statements; and

(j) Seller shall have caused Panhandle to cure any defaults (currently under waiver by the lenders) under the credit facility described as Item 44 in Section 3.7(a) of the Seller Disclosure Letter relating to a failure to furnish such lenders with certified financial statements.

Section 6.3 Seller's Conditions to the Closing.

The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction or waiver of each of the following conditions at or prior to the Closing Date:

(a) The representations and warranties of Buyer and Southern Union contained in this Agreement (A) if subject to any limitations as to "materiality" or "Material Adverse Effect," shall be true and correct at and as of the Closing Date as if made at and as of such time, and (B) if not subject to any limitations as to "materiality" or "Material Adverse Effect," shall be true and correct at and as of the Closing Date as if made at and as of such time except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of Buyer and Southern Union to consummate the transactions contemplated by this Agreement;

(b) Buyer and Southern Union shall have made all deliveries required under Section 2.7;

(c) Each of Buyer and Southern Union shall have performed in all material respects all of its obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Seller shall have received a certificate from each of Buyer and Southern Union to that effect dated the Closing Date;

(d) Buyer shall have, or shall have caused Southern Union to have, executed and delivered as of the Closing each of the Related Agreements to be executed by Buyer or Southern Union;

(e) Buyer and Southern Union shall have obtained all approvals, consents and releases which are listed in Section 6.3 (e) of the Buyer Disclosure Letter including any approvals required in connection with the issuance and delivery of the Southern Union Shares, their registration pursuant to the Shelf Registration Statement and the Listing;

(f) Seller shall have received a legal opinion, dated as of the Closing Date, from counsel to each of Buyer and Southern Union substantially in the form of Exhibit F hereto; and

(g) The Shelf Registration Statement shall remain effective, the Listing shall have occurred and remain effective, and all waiting periods applicable to the issuance and delivery of the Southern Union Shares, their registration pursuant to the Shelf Registration Statement and the Listing shall have expired or been terminated, and all filings required by law to be made prior to Closing by Southern Union with, and all consents, approvals and authorizations required by law to be obtained prior to Closing by Southern Union from, any Governmental Authority under any law in connection with the issuance and delivery of the Southern Union Shares, their registration pursuant to the Shelf Registration Statement and the Listing shall have been made or obtained (as the case may be).

ARTICLE VII

TERMINATION AND ABANDONMENT

Section 7.1 Termination.

This Agreement may be terminated at any time prior to the Closing Date by:

(a) mutual written consent of the parties;

(b) by either Buyer or Seller, upon written notice to the other parties, if the Closing shall not have occurred on or before June 30, 2003 (the "Initial Termination Date"); provided, however, that if on the Initial Termination Date the conditions to closing set forth in Section 6.1 (a), Section 6.1 (b) and Section 6.1 (c) shall have been fulfilled and certain other conditions set forth in Section 6.1, Section 6.2 or Section 6.3 shall not have been fulfilled but are reasonably capable of being fulfilled no later than ten business days after the Initial Termination Date, then, if a written notice requesting an extension of the termination date has been delivered by either Buyer to Seller, or by Seller to Buyer, at any time during the ten business day period ending on the Initial Termination Date, the termination date shall be extended to July 15, 2003.

(c) by either Buyer or Seller upon written notice to the other party, if any of the mutual conditions to the Closing set forth in Section 6.1 shall have become incapable of fulfillment by June 30, 2003 or July 15, 2003, as the case may be, and shall not have been waived in writing by the other party;

(d) by Buyer, so long as Buyer is not then in breach of its obligations under this Agreement, upon a breach of any covenant or agreement on the part of Seller set forth in this Agreement, or if any representation or warranty of Seller shall have been or become untrue, in each case such that the conditions set forth in Section 6.2 would not be satisfied; provided, however, that Buyer may not terminate this Agreement if such breach or untruth is capable of being cured by Seller by not later than June 30, 2003 or July 15, 2003, as the case may be, through the exercise of its reasonable best efforts, so long as Seller continues to exercise such reasonable best efforts (until not later than June 30, 2003 or July 15, 2003, as the case may be);

(e) by Seller, so long as Seller is not then in breach of its obligations under this Agreement, upon a breach of any covenant or agreement on the part of Buyer or Southern Union set forth in this Agreement, or if any representation or warranty of Buyer and Southern Union shall have been or become untrue, in each case such that the conditions set forth in Section 6.3 would not be satisfied; provided, however, that Seller may not terminate this Agreement if such breach or untruth is capable of being cured by Buyer and Southern Union by not later than July 15, 2003, through the exercise of their reasonable best efforts, so long as Buyer and Southern Union continue to exercise such reasonable best efforts (until not later than June 30, 2003 or July 15, 2003, as the case may be); and

(f) by either Seller or Buyer if any Governmental Authority shall have issued an order, decree or ruling or taken any other action, which permanently restrains, enjoins or otherwise prohibits the transactions contemplated by this Agreement and which order, decree, ruling or other action is not subject to appeal; unless failure to consummate closing because of such action by the Governmental Authority is due to the failure of the party seeking to terminate to have fulfilled its obligations under Section 5.4 and Section 5.5.

Section 7.2 Procedure and Effect of Termination.

In the event of the termination of this Agreement pursuant to Section 7.1 (i) this Agreement, except for the provisions of Section 5.2 (b), all of Article IX and this Section 7.2 , shall become void and have no effect, without any Liability on the part of any party hereto or its directors, officers, stockholders or partners; provided, however, that nothing in this Section 7.2 shall relieve any party for liability for any breach of this Agreement as set forth in the next succeeding sentence of this Section 7.2 and (ii) all filings, applications and other submissions made pursuant to this Agreement, to the extent practicable, shall be withdrawn from the agency or other Person to which they were made or appropriately amended to reflect the termination of the transactions contemplated hereby. Notwithstanding the foregoing, (a) nothing in this Section 7.2 shall relieve any party hereto of liability for Damages resulting from any breach of any of its obligations under this Agreement; provided, however, that for purposes of this clause (a), Damages shall be deemed not to include Third Party Claims, and (b) if it shall be judicially determined that termination of this Agreement was caused by an intentional breach of this Agreement, then, in addition to other remedies at law or equity for breach of this Agreement, but subject to the limitation in clause (a) above, the party so found to have intentionally breached this Agreement shall indemnify and hold harmless the other party hereto for its respective out-of-pocket costs, including the fees and expenses of their counsel, accountants, financial advisors and other experts and advisors, as well as fees and expenses incident to the negotiation, preparation and execution of this Agreement and related documentation.

ARTICLE VIII

SURVIVAL; INDEMNIFICATION

Section 8.1 Survival.

(a) The representations and warranties provided for in this Agreement shall survive the Closing and remain in full force and effect until the twelve-month (12) anniversary of this Agreement; provided however, that the representations and warranties set forth in Section 3.2 (Authority Relative to this Agreement), Section 3.3 (Panhandle Shares), Section 3.19 (Brokerage and Finders' Fees), Section 4.2 (Authority Relative to this Agreement), Section 4.7 (Brokerage and Finders' Fees) and Section 4.11 (Southern Union Shares) shall survive indefinitely, the representations and warranties set forth in Section 3.16 (Tax Matters) shall survive for a period equal to the applicable statute of limitations for each Tax and taxable year, and the representations and

warranties set forth in Section 3.15 (Environmental; Health and Safety Matters) shall survive until the second (2nd) anniversary of the Closing Date.

(b) No Claim for damages or other relief of any kind (including a Claim for indemnification under Section 8.2 hereof) arising against an Indemnified Party out of or relating to this Agreement or the transactions contemplated hereby, whether sounding in contract, tort, breach of warranty, securities law, other statutory cause of action, deceptive trade practice, strict liability, product liability or other cause of action or theory of liability (except, in all cases Claims alleging fraud, intentional misrepresentation or intentional misconduct), may be brought unless suit thereon is filed, or a written notice describing the nature of that Claim, the theory of liability, the nature of the relief sought and the material factual assertions upon which the Claim is based is given to the other party, before the termination of the Survival Period.

(c) The survival period of each representation or warranty as provided in this Section 8.1 is referred to herein as the "Survival Period." Notwithstanding the foregoing, any representation or warranty that would otherwise terminate shall survive with respect to Damages which respect to which suit thereon is filed or of which notice describing the nature of that Claim, the theory of liability, the nature of the relief sought and the material factual assertions upon which the Claim is based is given pursuant to this Agreement prior to the end of the Survival Period, until the matter is finally resolved and any related Damages are paid.

Section 8.2 Indemnification.

(a) Subject to the limitations set forth in this Article VIII, subsequent to the Closing, Seller shall indemnify, defend, save and hold harmless, Buyer, Southern Union, Panhandle and the Panhandle Subsidiaries, their respective successors and permitted assigns, and their shareholders, members, partners (general and limited), officers, directors, managers, trustees, incorporators, employees, agents, attorneys, consultants and representatives, and each of their heirs, executors, successors and assigns (collectively, the "Buyer Indemnified Parties"), against and in respect of any and all Damages to the extent incurred by the Buyer Indemnified Party arising out of, resulting from or incurred in connection with:

(i) any breach or inaccuracy of any representation or warranty of Seller contained in this Agreement;

(ii) any breach by Seller of any covenant or agreement contained in this Agreement; and

(iii) the matters set forth on Section 8.2 (a)(iii) of the Seller Disclosure Letter.

(b) Subject to the limitations set forth in this Article VIII, subsequent to the Closing, Buyer shall indemnify, defend, save and hold harmless, Seller and its Affiliates, their respective successors and permitted assigns, and their shareholders, members, partners (general and limited), officers, directors, managers,

trustees, incorporators, employees, agents, attorneys, consultants and representatives, and each of their heirs, executors, successors and assigns (collectively, the "Seller Indemnified Parties") against and in respect of any and all Damages to the extent incurred by the Seller Indemnified Party arising out of, resulting from or incurred in connection with:

(i) any breach or inaccuracy of any representation or warranty of Buyer or Southern Union contained in this Agreement; and

(ii) any breach by Buyer or Southern Union of any covenant or agreement contained in this Agreement.

(c) Any Person providing indemnification pursuant to the provisions of this Section 8.2 is referred to herein as an "Indemnifying Party," and any Person entitled to be indemnified pursuant to the provisions of this Section 8.2 is referred to herein as an "Indemnified Party."

(d) Seller's indemnification obligations contained in Section 8.2 (a)(i) shall not apply to any Claim for Damages until the aggregate of all such Damages total $40,000,000 (the "Threshold Amount"), in which event Seller's indemnity obligation contained in Section 8.2 (a)(i) shall apply to all Claims for Damages in excess of the Threshold Amount, subject to a maximum liability to all Indemnified Parties, in the aggregate, of $200,000,000 (the "Cap Amount") for all Claims under Section 8.2 (a)(i) in the aggregate. Damages relating to any single breach or series of related breaches of Seller's representations and warranties shall not constitute Damages, and therefore shall not be applied towards the Threshold Amount or be indemnifiable hereunder, unless such Damages relating to any single breach or series of related breaches exceed $1,000,000 (the "Minimum Claim Amount").

(e) Buyer's indemnification obligations contained in Section 8.2 (b)(i) shall not apply to any Claim for Damages until the aggregate of all such Damages equals the Threshold Amount, in which event Buyer's indemnification obligation contained in Section 8.2 (b)(i) shall apply to all Claims for Damages in excess of the Threshold Amount, subject to a maximum liability to all Indemnified Parties, in the aggregate, of the Cap Amount for all Claims under Section 8.2 (b)(i) in the aggregate. Damages relating to any single breach or series of related breaches of Buyer's and Southern Union's representations and warranties shall not constitute Damages, and therefore shall not be applied towards the Threshold Amount or be indemnifiable hereunder, unless such Damages relating to any single breach or series of related breaches exceed the Minimum Claim Amount.

(f) The indemnification obligations of each party hereto under this Section 8.2 shall inure to the benefit of the Buyer Indemnified Parties and Seller Indemnified Parties, and such Buyer Indemnified Parties and Seller Indemnified Parties will be obligated to keep and perform the obligations imposed on an Indemnified Party by this Section 8.2, on the same terms as are applicable to such other party.

(g) In all cases in which a Person is entitled to be indemnified in accordance with this Agreement, such Indemnified Party shall be under a duty to take all commercially reasonable measures to mitigate all losses. Without limiting the foregoing, each Indemnified Party shall use its reasonable best efforts to collect any amount available under insurance coverage, or from any other Person alleged to be responsible, for any Damages for which an indemnity claim is being made; provided, that the reasonable costs incurred by the Indemnified Party in taking such measures shall be included in the amount of any Claim.

(h) An Indemnified Party shall not be entitled under this Agreement to multiple recovery for the same losses. If an Indemnified Party receives any amount under applicable insurance policies, or from any other Person alleged to be responsible for any Damages, subsequent to an indemnification payment by the Indemnifying Party, then such Indemnified Party shall promptly reimburse the Indemnifying Party for any payment made or expense incurred by such Indemnifying Party in connection with providing such indemnification payment up to the amount received by the Indemnified Party, net of any expenses incurred by such Indemnified Party in collecting such amount.

(i) All amounts paid by Seller or Buyer, as the case may be, under this Article VIII shall be treated as adjustments to the Purchase Price for all Tax purposes.

(j) Notwithstanding any other provision in the Agreement to the contrary, this Section 8.2 shall not apply to any Claim of indemnification with respect to Tax matters. Claims for indemnification with respect to Tax matters shall be governed by Section 5.7.

(k) For purposes of this Article VIII only, the existence of a breach of a representation or warranty in this Agreement and the calculation of Damages arising out of a breach of any representation or warranty in this Agreement shall be determined without giving effect to any exception or qualification of such representation or warranty as to the materiality of the breach thereof or the Material Adverse Effect on any Person of such breach.

Except as provided in Section 5.7 hereof, the provisions of this Article VIII shall constitute the sole and exclusive remedy of any Indemnified Party for Damages arising out of, resulting from or incurred in connection with any inaccuracy in any representation or the breach of any warranty made by Buyer or Southern Union, on the one hand, or Seller, on the other hand, in this Agreement; provided, however, that this exclusive remedy for Damages does not preclude a party from bringing an Action for specific performance or other equitable remedy to require a party to perform its obligations under this Agreement or any Related Agreement; provided, further, that this exclusive remedy for Damages does not preclude a party from bringing an Action alleging fraud, intentional misrepresentation or intentional misconduct without reference to the provisions of this Article VIII.

Section 8.3 Calculation of Damages.

The Damages suffered by any Party hereto shall be calculated after giving effect to the actual receipt of any available insurance proceeds paid directly to the Indemnified Party. In computing the amount of any insurance proceeds, such insurance proceeds shall be reduced by a reasonable estimate of the present value of future premium increases attributable to the payment of such Claim.

Section 8.4 Procedures for Third-Party Claims.

(a) In the case of any Claim for indemnification arising from a Claim of a third party against an Indemnified Party arising under paragraph 8.2(a) or 8.2(b) as the case may be (a "Third-Party Claim"), an Indemnified Party shall give prompt written notice to the Indemnifying Party of any Claim or demand of which such Indemnified Party has knowledge, and as to which it may request indemnification hereunder, specifying (to the extent known) the amount of such Claim and any relevant facts and circumstances relating thereto; provided, however, that any failure to give such prompt notice or to provide any such facts and circumstances will not waive any rights of the Indemnified Party, except to the extent that the rights of the Indemnifying Party are actually materially prejudiced thereby. The Indemnifying Party shall have the right (and, if it elects to exercise such right, to do so by written notice within thirty (30) days after receiving notice from the Indemnified Party) to defend and to direct the defense against any such Third-Party Claim, in its name or in the name of the Indemnified Party, as the case may be, at the expense of the Indemnifying Party, and with counsel selected by the Indemnifying Party and reasonably satisfactory to the Indemnified Party, unless (i) the Indemnifying Party shall not have taken any action to defend such Third-Party Claim within such thirty-day (30-day) period, or (ii) the Indemnified Party shall have reasonably concluded that there is a conflict of interest between the Indemnified Party and the Indemnifying Party in the conduct of the defense of such Third-Party Claim. Notwithstanding anything in this Agreement to the contrary (other than the last sentence of this Section 8.4 (a)), the Indemnified Party, at the expense of the Indemnifying Party (which shall include only reasonable out-of-pocket expenses actually incurred), shall cooperate with the Indemnifying Party and keep the Indemnifying Party fully informed in the defense of such Third-Party Claim. The Indemnified Party shall have the right to participate in the defense of any Third-Party Claim with counsel employed at its own expense; provided, however, that in the case of any Third-Party Claim (A) described in clause (ii) above, or (B) as to which the Indemnifying Party shall not in fact have employed counsel to assume the defense of such Third-Party Claim within such thirty-day (30-day) period, or (C) that involves assertion of criminal liability on the Indemnified Party, or (D) seeks to force the Indemnified Party to take (or prevent the Indemnified Party from taking) any action, then in each such case the Indemnified Party shall have the right, but not the obligation, to conduct and control the defense thereof for the account of, and at the risk of, the Indemnifying Party, and the reasonable fees and disbursements of such Indemnified Party's counsel shall be at the expense of the Indemnifying Party. Except as provided in the last sentence of Section 8.4 (b), the Indemnifying Party shall have no indemnification obligations with respect to any Third-Party Claim which shall be

settled by the Indemnified Party without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, delayed or conditioned.

(b) The Indemnifying Party, if it has assumed the defense of any Third Party Claim as provided in this Agreement, shall not consent to a settlement of, or the entry of any judgment arising from, any such Third-Party Claim without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned) unless (i) such settlement or judgment relates solely to monetary damages, and (ii) prior to consenting to such settlement or such entry of judgment, the Indemnifying Party delivers to the Indemnified Party a writing (in form reasonably acceptable to the Indemnified Party) which unconditionally provides that, subject to the provisions of Section 8.2 (d) or Section 8.2 (e), as appropriate, relating to the Minimum Claim Amount, the Threshold Amount and the Cap Amount, the Damages represented thereby are the responsibility of the Indemnifying Party pursuant to the terms of this Agreement and that, subject to the provisions of the Threshold Amount, the Indemnifying Party shall pay all Damages associated therewith in accordance with the terms of this Agreement. The Indemnifying Party shall not, without the Indemnified Party's prior written consent, enter into any compromise or settlement that (x) commits the Indemnified Party to take, or to forbear to take, any action or (y) involves a reasonable likelihood of an imposition of criminal liability on the Indemnified Party, or (z) does not provide for a complete release by such third party of the Indemnified Party. With the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed, the Indemnified Party shall have the sole and exclusive right to settle any Third-Party Claim, on such terms and conditions as it deems reasonably appropriate, to the extent such Third-Party Claim involves equitable or other nonmonetary relief against the Indemnified Party or involves a reasonable likelihood of an imposition of criminal liability on the Indemnified Party, and shall have the right to settle any Third-Party Claim involving money damages for which the Indemnifying Party has not assumed the defense pursuant to this Section 8.4.

Section 8.5 Procedures for Inter-Party Claims.

In the event that an Indemnified Party determines that it has a Claim for Damages against an Indemnifying Party hereunder (other than as a result of a Third-Party Claim), the Indemnified Party shall give prompt written notice thereof to the Indemnifying Party, specifying the amount of such Claim and any relevant facts and circumstances relating thereto, and such notice shall be promptly given even if the nature or extent of the Damages is not then known. The notification shall be subsequently supplemented within a reasonable time as additional information regarding the Claim or the nature or extent of Damages resulting therefrom becomes available to the Indemnified Party. Any failure to give such prompt notice or supplement thereto or to provide any such facts and circumstances will not waive any rights of the Indemnified Party, except to the extent that the rights of the Indemnifying Party are actually materially prejudiced thereby. The Indemnified Party and the Indemnifying Party shall negotiate in good faith for a thirty-day (30-day) period regarding the resolution of any disputed Claims for Damages. Promptly following the final determination of the amount of any Damages claimed by the Indemnified Party, the Indemnifying Party, subject to the limitations of the Minimum

Claim Amount, Threshold Amount and the Cap Amount, shall pay such Damages to the Indemnified Party by wire transfer or check made payable to the order of the Indemnified Party.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1 Interpretation.

Unless the context of this Agreement otherwise requires, (a) words of any gender include the other gender; (b) words using the singular or plural number also include the plural or singular number, respectively; (c) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire Agreement; (d) the terms "Article," "Section" and "Exhibit" refer to the specified Article, Section and Exhibit of this Agreement, respectively; and (e) "including," shall mean "including, but not limited to." Unless otherwise expressly provided, any agreement, instrument, law or regulation defined or referred to herein means such agreement, instrument, law or regulation as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of a law or regulation) by succession of comparable successor law and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein.

Section 9.2 Disclosure Letters.

The Seller Disclosure Letter and the Buyer Disclosure Letter are incorporated into this Agreement by reference and made a part hereof.

Section 9.3 Payments.

All payments set forth in this Agreement and Exhibits are in United States Dollars. Such payments shall be made by wire transfer of immediately available funds or by such other means as the parties to such payment shall designate.

Section 9.4 Expenses.

Except as expressly set forth herein, or as agreed upon in writing by the parties, whether or not the transactions contemplated hereby are consummated, each party shall bear its own costs, fees and expenses, including the expenses of its Representatives, incurred by such party in connection with this Agreement and the Related Agreements and the transaction contemplated hereby and thereby; provided, however, that Seller shall be solely responsible for all legal, accounting and other fees, costs and expenses incurred by Seller, Panhandle and the Panhandle Subsidiaries in connection with the negotiation, execution and Closing of this Agreement.

Section 9.5 Choice of Law.

This Agreement shall be governed by and construed in accordance with the law of the State of New York (regardless of the laws that might otherwise govern under applicable New York principles of conflicts of law).

Section 9.6 Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other party; provided, however, that without the prior written consent of the other party, each party shall have the right to assign its rights and obligations under this Agreement to any third party successor to all or substantially all of its entire business. This Agreement shall be binding upon and, subject to the terms of the foregoing sentence, inure to the benefit of the parties hereto and their successors, legal representatives and assigns.

Section 9.7 Notices.

All demands, notices, consents, approvals, reports, requests and other communications hereunder must be in writing, will be deemed to have been duly given only if delivered personally or by facsimile transmission (with confirmation of receipt) or by an internationally-recognized express courier service or by mail (first class, postage prepaid) to the parties at the following addresses or telephone or facsimile numbers and will be deemed effective upon delivery; provided, however, that any communication by facsimile shall be confirmed by an internationally-recognized express courier service or regular mail.

(i) If to Seller:

CMS Gas Transmission Company
CMS Energy Corporation
300 Town Center Drive, Suite 1100
Dearborn, Michigan 48126
Attention: General Counsel
Telephone: (313) 436-9214
Facsimile: (313) 436-9258

With a required copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Attention: Sheldon S. Adler, Esq.
Telephone: (212) 735-3000
Facsimile: (212) 735-2000

(ii) If to Buyer or Southern Union:

Southern Union Company
One PEI Center
Wilkes Barre, Pennsylvania 18711-0601
Attention: Thomas F. Karam, President & COO
Telephone: (570) 829-8888
Facsimile: (570) 829-8900

with a copy (which shall not constitute notice) to:

Fleischman and Walsh, L.L.P.
1400 Sixteenth Street, N.W., Suite 600
Washington, D.C. 20036
Attention: Stephen A. Bouchard
Telephone: (202) 939-7911
Facsimile: (202) 265-5706

or to such other address as the addressee shall have last furnished in writing in accord with this provision to the addressor.

Section 9.8 Consent to Jurisdiction.

Each party shall maintain at all times a duly appointed agent in the State of New York, which may be changed upon ten (10) Business Days' notice to the other party, for the service of any process or summons in connection with any issue, litigation, action or proceeding brought in any such court. Any such process or summons may also be served on it by mailing a copy of such process or summons to it at its address set forth, and in the manner provided, in Section 9.7. Each party hereby irrevocably consents to the exclusive personal jurisdiction and venue of any New York State or United States Federal court of competent jurisdiction sitting in New York County, New York, in any action, Claim or proceeding arising out of or in connection with this Agreement and agrees not to commence or prosecute any action, Claim or proceeding in any other court. Each of the parties hereby expressly and irrevocably waives and agrees not to assert the defense of lack of personal jurisdiction, forum non conveniens or any similar defense with respect to the maintenance of any such action or proceeding in New York County, New York.

Section 9.9 Resolution of Disputes.

Except for the resolution of matters which shall be resolved in accordance with the procedures set forth in specific sections, all other disputes arising out of or relating to this Agreement or any Related Agreement or the breach, termination or validity thereof or the parties' performance hereunder or thereunder ("Dispute") shall be resolved as provided by this Section 9.9.

(a) Mediation.

(i) If the Dispute has not been resolved by executive officer negotiation within thirty (30) days of the disputing

party's notice requesting negotiation, or if the parties fail to meet within twenty (20) days from delivery of said notice, such Dispute shall be submitted to non-binding mediation in accordance with the then-current Model Procedure for Mediation of Business Disputes of the CPR Institute for Dispute Resolution. The mediation shall be completed within thirty (30) days of the time the mediator is selected. Unless otherwise agreed, the parties will select a mediator from the CPR Panels of Distinguished Neutrals; provided, however, that if no mediator from that list can be mutually agreed upon, each party will submit to the CPR its own list of acceptable mediators from the CPR Panels of Distinguished Neutrals and the CPR shall appoint one of those listed as the mediator for the parties. The costs of the mediation, including the mediator's fees, shall be borne equally by the parties to the Dispute.

(ii) By agreeing to mediation, the parties do not intend to deprive any court of its jurisdiction to issue an injunction, attachment or other order in aid of mediation proceedings. The parties agree to participate in good faith in the mediation to its conclusion. If the Dispute has not been resolved by mediation within ninety (90) days of the disputing party's notice requesting negotiation pursuant to Section 9.9 (a)(i), then either party may pursue other available remedies.

Section 9.10 Waiver of Jury Trial.

SELLER AND BUYER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF SELLER OR BUYER. EACH OF SELLER AND BUYER ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR SUCH PARTY ENTERING INTO THIS AGREEMENT AND EACH SUCH OTHER DOCUMENT.

Section 9.11 No Right of Setoff.

Neither party hereto nor any Affiliate thereof may deduct from, set off, holdback or otherwise reduce in any manner whatsoever against any amounts such Persons may owe to the other party hereto or any of its Affiliates any amounts owed by such Persons to the other party or its Affiliates.

Section 9.12 Time is of the Essence.

Time is of the essence in the performance of the provisions of this Agreement.

Section 9.13 Specific Performance.

The parties hereto agree that irreparable damage would occur in the event that any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity, subject to the limitations set forth in Section 7.2 of this Agreement.

Section 9.14 Entire Agreement.

This Agreement, together with the Seller Disclosure Letter, Buyer Disclosure Letter, Exhibits hereto, Related Agreements and the Confidentiality Agreement constitute the entire agreement between the parties hereto with respect to the subject matter herein and supersede all previous agreements, whether written or oral, relating to the subject matter of this Agreement and all prior drafts of this Agreement, all of which are merged into this Agreement. No prior drafts of this Agreement and no words or phrases from any such prior drafts shall be admissible into evidence in any action or suit involving this Agreement. In the case of any material conflict between any provision of this Agreement and any other Related Agreement, this Agreement shall take precedence.

Section 9.15 Third Party Beneficiaries.

Except as expressly provided in Article VIII hereof, none of the provisions of this Agreement shall be for the benefit of or enforceable by any third party, including any creditor of any party or any of their affiliates. Except as expressly provided in Article VIII hereof, no such third party shall obtain any right under any provision of this Agreement or shall by reasons of any such provision make any Claim in respect of any Liability (or otherwise) against either party hereto.

Section 9.16 Counterparts.

This Agreement may be executed in two (2) counterparts, both of which, when executed, shall be deemed to be an original and both of which together shall constitute one and the same document.

Section 9.17 Severability.

If any provision of this Agreement is held to be illegal, invalid or unenforceable under any applicable present or future law, and if the rights or obligations of either party under this Agreement will not be materially and adversely affected thereby, (i) such provision shall be fully severable, (ii) this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance

herefrom and (iv) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement, a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

Section 9.18 Headings.

The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

Section 9.19 Waiver.

Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party or parties waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 9.20 Amendment.

This Agreement may be altered, amended or changed only by a writing making specific reference to this Agreement and signed by duly authorized representatives of each party.

IN WITNESS WHEREOF, Seller, Buyer and Southern Union, by their duly authorized officers, have executed this Agreement as of the date first written above.

CMS GAS TRANSMISSION COMPANY

By:/s/ William J. Haener

Name: William J. Haener
Title: President and CEO

SOUTHERN UNION PANHANDLE CORP.

By:/s/ Thomas F. Karam

Name: Thomas F. Karam
Title: President and Chief Operating Officer

SOUTHERN UNION COMPANY

By:/s/ Thomas F. Karam

Name: Thomas F. Karam
Title: President and Chief Operating Officer

EXHIBIT 10(c)

SHAREHOLDER AGREEMENT

BY AND BETWEEN

CMS GAS TRANSMISSION COMPANY,

AND

SOUTHERN UNION COMPANY

DATED AS OF

MAY 12, 2003

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SHAREHOLDER AGREEMENT

This SHAREHOLDER AGREEMENT (the "Agreement"), dated as of May 12, 2003, is made by and between Southern Union Company, a Delaware corporation ("Southern Union"), and CMS Gas Transmission Company, a Michigan corporation ("CMSGT").

W I T N E S S E T H:

WHEREAS, simultaneously with the execution of this Agreement, Southern Union and CMSGT, have entered into that certain Amended and Restated Stock Purchase Agreement, dated as of May 12, 2003 (the "Purchase Agreement"), pursuant to which CMSGT will acquire 3 million shares of Southern Union Common Stock, par value $1.00 per share (the "Shares") as part of the consideration received for the sale of Panhandle; and

WHEREAS, the parties desire to set forth their agreement as to certain rights and obligations relating to the Shares upon the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the foregoing and the mutual premises, representations, warranties, covenants and agreements contained herein and in the Purchase Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Specific Definitions For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean, with respect to any specified Person, any Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

(b) "Beneficially Own" or "Beneficial Ownership" with respect to any securities shall mean having "beneficial ownership" of such securities (as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), including pursuant to any agreement, arrangement or understanding, whether or not in writing. Securities Beneficially Owned by a Person shall include securities Beneficially Owned by all Affiliates and "associates" (as defined under the Exchange Act) of such Person and all other Persons with whom such Person would constitute a "group" within the meaning of Section 13(d) of the Exchange Act and the rules promulgated thereunder.

(c) "Common Stock" shall mean Southern Union common stock, par value $1.00 per share.

(d) "including" shall mean including without limitation.

(e) "Person" shall mean an individual, corporation, partnership, joint venture, association, trust, unincorporated organization or other entity.

Capitalized terms used, but not defined herein, shall have the meaning set forth in the Purchase Agreement.

ARTICLE II

SHARE RESTRICTIONS

Section 2.1 Standstill and Related Provisions.

(a) Southern Union and CMSGT agree that, without the prior written consent of Southern Union, CMSGT will not, directly or indirectly, alone or in concert with others, in the event that a prospectus supplement relating to the offering by Southern Union of (x) equity securities or (y) equity-linked securities occurs on or prior to the closing of the transactions contemplated by the Purchase Agreement, from the date of this Agreement until ninety (90) days after the closing of the transactions contemplated by the Purchase Agreement, or in the event that a prospectus supplement relating to the offering by Southern Union of (x) equity securities or (y) equity-linked securities occurs after the closing of the transactions contemplated by the Purchase Agreement, then from the date of this Agreement until the earlier to occur of (A) ninety (90) days from the date of a prospectus supplement relating to the offering by Southern Union of (x) equity securities or (y) equity-linked securities pursuant to a prospectus supplement or (B) one hundred and five (105) days from the closing of the transactions contemplated by the Purchase Agreement:

(i) sell, transfer, assign, offer, pledge, or otherwise dispose of,directly or indirectly, the Shares

(ii) sell any option or contract to purchase any Common Stock;

(iii) purchase any option or contract to sell any Common Stock;

(iv) grant any option, right or warrant to sell any Common Stock;

(v) lend or otherwise dispose of or transfer any of the Shares;

(vi) enter into swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any Common Stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise;

(vii) publicly announce an intention to effect a transaction contemplated in subsections (i) through (vi) above;

(viii) acquire, other than by dividend, or offer, propose or agree to acquire, directly or indirectly, whether by purchase, tender or exchange offer, through the acquisition or control of another Person or otherwise, any shares of Southern Union;

(ix) make, or in any way participate, directly or indirectly, in any "solicitation" (as such term is used in the proxy rules of the Securities and Exchange Commission as in effect on the date hereof) of proxies or consents (whether or not relating to the election or removal of directors), seek to advise, encourage or influence any Person with respect to the voting of any shares of Southern Union, initiate, propose or otherwise "solicit" (as such term is used in the proxy rules of the Securities and Exchange Commission as in effect on the date hereof) shareholders of Southern Union for the approval of shareholder proposals, whether made pursuant to Rule 14a-8 of the Exchange Act or otherwise, or induce or attempt to induce any other Person to initiate any such shareholder proposal;

(x) except as provided for under the Purchase Agreement, seek, propose, or make any statement with respect to, any merger, consolidation, business combination, tender or exchange offer, sale or purchase of assets, sale or purchase of securities, dissolution, liquidation, reorganization, recapitalization or similar transaction involving Southern Union or its subsidiaries; provided, however, that nothing in this provision shall prohibit CMSGT from exercising its right to vote as a stockholder in connection with any such transaction contemplated by this Section 2.1(a)(ix);

(xi) form, join or in any way participate in a "group" (within the meaning of Section 13(d)(3) of the Exchange Act) with respect to any Southern Union shares;

(xii) call or seek to have called any meeting of the stockholders of Southern Union or execute any written consent with respect to Southern Union or Southern Union shares;

(xiii) seek representation on the Board of Directors of Southern Union, or seek the removal of any member of such Board;

(xiv) make any proposal or publicly disclose any intention to make any proposal (whether or not subject to conditions) or enter into any discussion regarding any of the foregoing;

(xv) make any proposal, statement or inquiry, or disclose any intention, plan or arrangement (whether written or oral) inconsistent with the foregoing, or make or disclose any request to amend, waive or terminate any provision of this Agreement; and

(xvi) have any discussions or communications, or enter into any arrangements, understandings or agreements (whether written or oral) with, or advise, finance, assist or encourage, any other Person in connection with any of the foregoing, or make any investment in or enter into any arrangement with, any other Person that engages, or offers or proposes to engage, in any of the foregoing.

Notwithstanding the foregoing, (a) CMSGT may transfer or assign the Shares to an Affiliate of CMSGT that agrees to be bound by the terms of this Agreement; (b) the Shares may be pledged to a lender of CMSGT or an Affiliate of CMSGT; and (c) CMSGT or CMS Energy Corporation ("CMS") may enter into a business combination or transaction with respect to at least a majority of the shares of CMSGT, CMS, or CMS Enterprises Company.

(b) Neither Southern Union nor CMSGT shall disclose the terms, or existence, of this Agreement to any Person except as required by law.

Section 2.2 Legends.

(a) If requested in writing by Southern Union, CMSGT shall present or cause to be presented promptly all certificates representing the Shares for the placement thereon of a legend substantially to the following effect, which legend shall remain thereon for the period of the restrictions set forth in Section 2.1(a):

"The Securities represented by this certificate are subject to the provisions of a Shareholder Agreement, dated as of May 12, 2003, between Southern Union Company and CMS Gas Transmission Company, and may not be sold, transferred, assigned or otherwise disposed of except in accordance therewith. A copy of said Shareholder Agreement is on file at the office of the Corporate Secretary of Southern Union Company."

Section 2.3 Sale of Shares.

Southern Union shall assist CMSGT, to the extent reasonably requested, in connection with selling all or any significant portion of the Shares to any potential purchaser, including, without limitation, making officers, employees and other representatives available to meet with potential purchasers.

ARTICLE III

TERM

Section 3.1 Term.

This Agreement shall terminate at the earlier to occur of (a) the sale of all the Shares by CMSGT or on the second anniversary of the date hereof.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Dispute Resolution.

Any disputes arising out of or relating to this Agreement or the breach, termination or validity thereof or the parties' performance hereunder shall be resolved as provided by Section 9.9 of the Purchase Agreement.

Section 4.2 Specific Performance.

The parties hereto agree that irreparable damage would occur in the event that any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 4.3 Entire Agreement.

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, written or oral, among the parties with respect to the subject matter of this Agreement. This Agreement may be altered, amended or changed only by a writing making specific reference to this Agreement and signed by duly authorized representatives of each party.

Section 4.4 Expenses.

All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

Section 4.5 Amendment.

This Agreement may not be amended, changed, supplemented, or otherwise modified or terminated, except upon the execution and delivery of a written agreement executed by each of the parties hereto.

Section 4.6 Notices.

All demands, notices, consents, approvals, reports, requests and other communications hereunder must be in writing, will be deemed to have been duly given only if delivered personally or by facsimile transmission (with confirmation of receipt) or by an internationally-recognized express courier service or by mail (first class, postage prepaid) to the parties at the addresses or telephone or facsimile numbers set forth in Section 9.7 of the Purchase Agreement (or to such other address as the addressee shall have last furnished in writing in accord with this provision to the addressor) and will be deemed effective upon delivery; provided, however, that any communication by facsimile shall be confirmed by an internationally-recognized express courier service or regular mail.

Section 4.7 Severability.

Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

Section 4.8 Waiver.

Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party or parties waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

Section 4.9 Headings.

The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

Section 4.10 Third Party Beneficiaries.

This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and assigns. None of the provisions of this Agreement shall be for the benefit of or enforceable by any third party, including any creditor of any party or any of their affiliates. No such third party shall obtain any right under any provision of this Agreement or shall by reasons of any such provision make any claim in respect of any liability (or otherwise) against either party hereto.

Section 4.11 Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other party except as specifically provided herein.

Section 4.12 Choice of Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable New York principles of conflicts of law).

Section 4.13 Facsimiles; Counterparts.

This Agreement may be executed by facsimile signatures by any party and such signature shall be deemed binding for all purposes hereof, without delivery of an original signature being thereafter required. This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

Section 4.14 Consent to Jurisdiction.

Each party shall maintain at all times a duly appointed agent in the State of New York, which may be changed upon ten (10) Business Days' notice to the other party, for the service of any process or summons in connection with any issue, litigation, action or proceeding brought in any such court. Any such process or summons may also be served on it by mailing a copy of such process or summons to it at its address set forth, and in the manner provided, above. Each party hereby irrevocably consents to the exclusive personal jurisdiction and venue of any New York State or United States Federal court of competent jurisdiction sitting in New York County, New York, in any action, Claim or proceeding arising out of or in connection with this Agreement and agrees not to commence or prosecute any action, Claim or proceeding in any other court. Each of the parties hereby expressly and irrevocably waives and agrees not to assert the defense of lack of personal jurisdiction, forum non conveniens or any similar defense with respect to the maintenance of any such action or proceeding in New York County, New York.

Section 4.15 Waiver of Jury Trial.

THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY PARTY. EACH PARTY ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR SUCH PARTY ENTERING INTO THIS AGREEMENT AND EACH SUCH OTHER DOCUMENT.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CMS GAS TRANSMISSION COMPANY

By:/s/ William J. Haener

Name: William J. Haener
Title: President and CEO

SOUTHERN UNION COMPANY

By:/s/ Thomas F. Karam

Name: Thomas F. Karam
Title: President and Chief Operating Officer

EXHIIBT 10(d)

AMENDMENT AGREEMENT

This AMENDMENT AGREEMENT, dated as of May 12, 2003 (this "Agreement"), is made and entered into by and among CMS Gas Transmission Company (the "Seller"), AIG Highstar Capital, L.P. ("Highstar"), AIG Highstar II Funding Corp. ("Funding," and together with Highstar, the "Highstar Parties"), Southern Union Company ("Southern Union"), and Southern Union Panhandle Corp. ("Buyer", and together with Seller, the Highstar Parties and Southern Union, the "Purchase Agreement Parties").

WHEREAS, the Purchase Agreement Parties are parties to that certain Stock Purchase Agreement, dated as of December 21, 2002 (the "Purchase Agreement"); and

WHEREAS, the Purchase Agreement Parties desire to amend the Purchase Agreement so that the Highstar Parties are no longer parties to the Purchase Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the representations, warranties, covenants and agreements set forth herein, the Purchase Agreement Parties, intending to be legally bound, hereby agree as follows (capitalized terms used in this Agreement but not otherwise defined shall have the meanings ascribed to such terms in the Purchase Agreement):

1. Effective immediately, the Purchase Agreement is hereby amended pursuant to Section 9.20 of the Purchase Agreement such that the Highstar Parties are no longer parties to the Purchase Agreement and such that the Highstar Parties' participation in the sale of Panhandle is terminated. As further set forth in paragraphs 4 and 5 below, the Highstar Parties shall have no election, right, option, claim, or other privilege or any obligation or liability arising under, in connection with or relating to the Purchase Agreement or the transactions contemplated by the Purchase Agreement except for those elections, rights, options, claims or other privileges or any obligations or liabilities expressly arising hereunder. In addition, the Highstar Parties, Southern Union and Buyer agree that upon execution of this Agreement, that certain letter agreement, dated as of December 20, 2002, by and among the Highstar Parties, Southern Union and Buyer regarding the formation, capitalization and operation of the Buyer as well as all other agreements, arrangements and commitments entered into in connection therewith (together, the "Buyer Formation Agreements") are hereby terminated. The Highstar Parties acknowledge that (i) simultaneously with the execution of this Agreement, Seller, Buyer and Southern Union intend to enter into an amended purchase agreement relating to the sale of Panhandle to Buyer, pursuant to terms that will differ from those set forth in the Purchase Agreement (such new agreement, the "Amended Purchase Agreement"), (ii) as soon as reasonably practicable thereafter, Seller, Southern Union and Buyer intend to consummate the transactions contemplated by any Amended Purchase Agreement (the "Amended Transactions"), and (iii) the Highstar Parties shall have no

election, right, option, claim, or other privilege or any obligation or liability arising under, in connection with, or relating to, the Amended Purchase Agreement or the Amended Transactions. In addition, the Highstar Parties and SU are simultaneously entering into a letter agreement regarding the termination of certain other arrangements (the "Highstar/SU Letter Agreement"). Notwithstanding anything to the contrary contained herein, from and after the date of this Agreement, in the event that any of the Highstar Parties suffer or incur any Damages as a result of a Third Party Claim, the Highstar Parties shall continue to be entitled to any and all rights to indemnification provided under Article VIII of the Purchase Agreement with respect to such Third Party Claim to the same extent as the Highstar Parties would have been entitled to indemnification under Article VIII of the Purchase Agreement for any such Third Party Claim had this Agreement not been executed and, solely for purposes of determining the right of the Highstar Parties to indemnification under this Agreement and Article VIII of the Purchase Agreement, the Highstar Parties shall be treated as if the Highstar Parties had completed the transactions contemplated by the Purchase Agreement. Southern Union shall indemnify CMS for fifty percent (50%) of any amount paid by CMS or its Affiliates to the Highstar Parties pursuant to the preceding sentence. In consideration for the termination by the Highstar Parties of their participation in the sale of Panhandle, from and after the date hereof, Southern Union shall assume any and all obligations of the Highstar Parties to indemnify CMS or any other Person under Articles VII or VIII of the Purchase Agreement, and Southern Union hereby assumes all obligations of the Sponsors to pay those expenses of the Sponsors and the Buyer with respect to the transactions contemplated by the Purchase Agreement otherwise allocable to the Sponsors under the Purchase Agreement and the Buyer Formation Documents.

2. The Highstar Parties do hereby unequivocally release and discharge Seller, its parents, subsidiaries and affiliates, and any of their respective officers, directors, agents, managers, employees, representatives, legal and financial advisors, principals or partners, and any heirs, executors, administrators, successors or assigns of any said persons or entities (the "Seller Releasees"), from any and all actions, causes of action, choses in action, cases, claims, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, injuries, harms, damages, judgments, remedies, extents, executions, demands, liens and liabilities whatsoever, in law, equity or otherwise (together, "Actions"), in any way arising under, in connection with or relating to the Purchase Agreement or the transactions contemplated thereby, or any action or failure to act under the Purchase Agreement or in connection therewith or in connection with the events leading to the removal of the Highstar Parties as parties to the Purchase Agreement, which have been asserted against the Seller Releasees or which, whether currently known or unknown, the Highstar Parties, or any successors or assigns, ever could assert, or ever do assert, against the Seller Releasees, relating to any claims, or any transactions or occurrences from any time through the date hereof in connection with the foregoing; provided, however, the Seller Releasees

are not released from any Actions which may arise (i) under this Agreement or (ii) under the Confidentiality Agreement.

3. The Highstar Parties do hereby unequivocally release and discharge Southern Union and Buyer, their parents, subsidiaries and affiliates, and any of their respective officers, directors, agents, managers, employees, representatives, legal and financial advisors, principals or partners, and any heirs, executors, administrators, successors or assigns of any said persons or entities (the "Southern Union Releasees"), from any and all Actions in any way arising under, in connection with or relating to the Purchase Agreement and/or the Buyer Formation Agreements or the transactions contemplated thereby (including under that certain letter agreement, dated as of December 20, 2002, by and among the Highstar Parties and Southern Union), or any action or failure to act under the Purchase Agreement and/or the Buyer Formation Agreements or in connection therewith or in connection with the events leading to the removal of the Highstar Parties as parties to the Purchase Agreement, which have been asserted against the Southern Union Releasees or which, whether currently known or unknown, the Highstar Parties, or any successors or assigns, ever could assert, or ever do assert, in any capacity, against the Southern Union Releasees, relating to any claims, or any transactions or occurrences from any time through the date hereof in connection with the foregoing; provided, however, the Southern Union Releasees are not released from any Actions which may arise (i) under this Agreement, (ii) the Highstar/SU Agreement, or (iii) under the Confidentiality Agreement.

4. Seller does hereby unequivocally release and discharge the Highstar Parties, their parents, subsidiaries and affiliates, and any of their respective officers, directors, agents, managers, employees, representatives, legal and financial advisors, principals or partners, and any heirs, executors, administrators, successors or assigns of any said persons or entities (the "Highstar Releasees"), from any and all Actions in any way arising under, in connection with or relating to the Purchase Agreement or the transactions contemplated thereby, or any action or failure to act under the Purchase Agreement or in connection therewith, or in connection with the events leading to the removal of the Highstar Parties as parties to the Purchase Agreement, which have been asserted against the Highstar Releasees or which, whether currently known or unknown, Seller, Southern Union or Buyer, or any successors or assigns, ever could assert, or ever do assert, in any capacity, against the Highstar Releasees, relating to any claims, or any transactions or occurrences from any time through the date hereof in connection with the foregoing; provided, however; the Highstar Releasees are not released from any Action which may arise (i) under this Agreement or (ii) under the Confidentiality Agreement.

5. Southern Union and Buyer do hereby unequivocally release and discharge the Highstar Releasees from any and all Actions arising under, in connection with or relating to the Purchase Agreement and/or the Buyer Formation Agreements or

the transactions contemplated thereby (including under that certain letter agreement, dated as of December 20, 2002, by and among the Highstar Parties and Southern Union), or any action or failure to act under the Purchase Agreement and/or the Buyer Formation Agreements or in connection therewith, or in connection with the events leading to the removal of the Highstar Parties as parties to the Purchase Agreement, which have been asserted against the Highstar Releasees or which, whether currently known or unknown, Seller, Southern Union or Buyer, or any successors or assigns, ever could assert, or ever do assert, in any capacity, against the Highstar Releasees, relating to any claims, or any transactions or occurrences from any time through the date hereof in connection with the foregoing; provided, however; the Highstar Releasees are not released from any Action which may arise (i) under this Agreement, (ii) the Highstar/SU Agreement, or (iii) under the Confidentiality Agreement.

6. The Highstar Parties agree that, if requested by the Federal Trade Commission ("FTC") as a condition to the expiration or termination of the waiting period under the HSR Act to permit Buyer's acquisition of Panhandle or by the Missouri Attorney General as a condition to not opposing Buyer's acquisition of Panhandle, the Highstar Parties and any applicable subsidiary will negotiate in good faith, with the FTC, the Missouri Attorney General, and the other parties to this Agreement, as applicable, mutually acceptable terms and conditions of consent order(s) governing the future interactions of the Highstar Parties and their subsidiaries with Southern Union and its affiliates (including, but not limited to, provisions that the Highstar Parties and their subsidiaries will not acquire any interest in Buyer or Panhandle and/or will not enter into any management agreement with Southern Union relating to the Central Pipeline (as hereinafter defined), without prior FTC or Missouri Attorney General approval), and the Highstar Parties will sign such a consent order if the terms and conditions of such consent order are reasonably acceptable to the Highstar Parties. The "Central Pipeline" means the Central Pipeline acquired by Highstar, through AIG Highstar Capital, L.P. and Southern Star Central Corp., from The Williams Companies, that distributes natural gas from producing locations in Kansas, Oklahoma, Texas, Wyoming and Colorado to consuming areas in the Midwest. In no event shall the Highstar Parties be required to enter into any such consent with the FTC that would prohibit the Highstar Parties or any applicable subsidiary from acquiring Energy Worx, Inc. or from retaining management of Energy Worx, Inc. to manage the Central Pipeline.

7. The parties hereby agree that the Confidentiality Agreement, which for purposes of this Agreement, shall be deemed to also include (a) the letter agreement, dated as of November 1, 2002, by and between the Highstar Parties and Southern Union regarding the disclosure of Confidential Information to Southern Union, and (b) the letter agreement, dated as of December 6, 2002, among the Purchase Agreement Parties, pursuant to which Southern Union agreed to be subject to the Confidentiality Agreement, shall continue in full force and effect pursuant to its terms. Seller hereby demands that the Highstar Parties return or destroy the

Information (as defined in the Confidentiality Agreement) and all copies thereof, pursuant to and otherwise subject to Section 4 of the Confidentiality Agreement.

8. Attached hereto as Exhibits A and B are the respective forms of press release to be issued by Seller and Southern Union on signing of this Agreement, with respect to this Agreement and the removal of the Highstar Parties as parties to the Purchase Agreement.

9. Each party agrees that it will not, and will cause its respective subsidiaries not to, and will use its reasonable best efforts to cause its directors, officers and employees not to, make any public statements or any statements reasonably calculated to become public (orally, in writing, electronically or otherwise), or instigate, assist or participate in making any such statement, which would reasonably be considered to disparage any other party or its business or operations, or their respective businesses and operations, or any other party's present and former officers, partners, directors, employees, agents, stockholders or representatives, in their capacity as such. Until the first anniversary of the date hereof, except as otherwise agreed by the parties, Southern Union, Buyer and Seller shall not make any public statements or any statements reasonably calculated to become public regarding, or respond to inquiries from the media, analysts, investors and other third parties, or otherwise comment on, the Highstar Parties in connection with the Panhandle transaction and the reasons for the removal of the Highstar Parties as parties to the Purchase Agreement, except as provided in the form of the press releases attached hereto as Exhibit A and Exhibit B or as required by law or a governmental or regulatory authority. Until the first anniversary of the date hereof, except as otherwise agreed by the parties, the Highstar Parties shall not make any public statements or any statements reasonably calculated to become public regarding, or respond to inquiries from the media, analysts, investors and other third parties, or otherwise comment on, Southern Union, Buyer, Seller, Panhandle and the Panhandle Subsidiaries, the Panhandle transaction and the reasons for the removal of the Highstar Parties as parties to the Purchase Agreement, except as provided in the form of press releases attached hereto as Exhibit A and Exhibit B or as required by law or a governmental or regulatory authority. Notwithstanding the foregoing, each party shall have a fair opportunity to make statements in response to statements made by any other party or in response to requests of a governmental or regulatory authority.

10. Each party represents to the other parties that: (a) it is duly organized and validly existing under the laws of the jurisdiction of its incorporation or formation and in good standing; (b) it has the power to execute and perform its obligations under this Agreement and has taken all necessary action to authorize such execution, delivery and performance; (c) such execution, delivery and performance does not violate or conflict with any law applicable to it, any provision of its charter or bylaws or other similar governing documents or any order or judgment of any court or other agency of government applicable to it or any of its assets; (d) all

governmental and other consents that are required to have been obtained by it with respect to this Agreement have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and (e) its obligations under this Agreement constitute its legal, valid and binding obligations, enforceable in accordance with the terms hereof.

11. Any term or condition of this Agreement may be waived at any time by the party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party waiving such term or condition. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion. All remedies, either under this Agreement or by any laws or otherwise afforded, will be cumulative and not alternative.

12. This Agreement shall be binding upon and inure solely to the benefit of the parties hereto and their respective successors and assigns. Except as otherwise expressly contemplated hereby, none of the provisions of this Agreement shall be for the benefit of or enforceable by any third party, including any creditor of any party or any of their affiliates. Except as otherwise expressly contemplated hereby, no such third party shall obtain any right under any provision of this Agreement or shall by reasons of any such provision make any Claim in respect of any Liability (or otherwise) against any party hereto.

13. Except as otherwise expressly provided herein, this Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, written or oral, among the parties with respect to the subject matter of this Agreement. This Agreement may be altered, amended or changed only by a writing making specific reference to this Agreement and signed by duly authorized representatives of each party.

14. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (regardless of the laws that might otherwise govern under applicable New York principles of conflicts of law).

15. This Agreement may be executed by facsimile signatures by any party and such signature shall be deemed binding for all purposes hereof, without delivery of an original signature being thereafter required. This Agreement may be executed in one or more counterparts, each of which, when executed, shall be deemed to be an original and all of which together shall constitute one and the same document.

16. Any disputes arising out of or relating to this Agreement or the breach, termination or validity thereof or the parties' performance hereunder shall be resolved as provided by Section 9.9 of the Purchase Agreement.

17. All demands, notices, consents, approvals, reports, requests and other communications hereunder must be in writing, will be deemed to have been duly given only if delivered personally or by facsimile transmission (with confirmation of receipt) or by an internationally-recognized express courier service or by mail (first class, postage prepaid) to the parties at the addresses or telephone or facsimile numbers set forth in Section 9.7 of the Purchase Agreement (or to such other address as the addressee shall have last furnished in writing in accord with this provision to the addressor) and will be deemed effective upon delivery; provided, however, that any communication by facsimile shall be confirmed by an internationally-recognized express courier service or regular mail.

18. Each party shall maintain at all times a duly appointed agent in the State of New York, which may be changed upon ten (10) Business Days' notice to the other party, for the service of any process or summons in connection with any issue, litigation, action or proceeding brought in any such court. Any such process or summons may also be served on a party by mailing a copy of such process or summons to it at its address set forth in Section 9.7 of the Purchase Agreement (or to such other address as the addressee shall have last furnished in writing in accord with this provision to the addressor) and will be deemed effective upon delivery; provided, however, that any communication by facsimile shall be confirmed by an internationally-recognized express courier service or regular mail. Each party hereby irrevocably consents to the exclusive personal jurisdiction and venue of any New York State or United States Federal court of competent jurisdiction sitting in New York County, New York, in any action, Claim or proceeding arising out of or in connection with this Agreement and agrees not to commence or prosecute any action, Claim or proceeding in any other court. Each of the parties hereby expressly and irrevocably waives and agrees not to assert the defense of lack of personal jurisdiction, forum non conveniens or any similar defense with respect to the maintenance of any such action or proceeding in New York County, New York.

19. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF ANY PARTY. EACH PARTY ACKNOWLEDGES AND AGREES THAT IT HAS RECEIVED FULL AND SUFFICIENT CONSIDERATION FOR THIS PROVISION (AND EACH OTHER PROVISION OF EACH OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH TO WHICH IT IS A PARTY) AND THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR SUCH PARTY ENTERING INTO THIS AGREEMENT AND EACH SUCH OTHER DOCUMENT.

IN WITNESS WHEREOF, the Purchase Agreement Parties have executed this agreement as of the date first written above.

CMS GAS TRANSMISSION COMPANY

By: /s/ William J. Haener

Name: William J. Haener
Title: President and CEO

SOUTHERN UNION PANHANDLE CORP.

By: /s/ Thomas F. Karam

Name: Thomas F. Karam
Title: President and Chief Operating Officer

SOUTHERN UNION COMPANY

By: /s/ Thomas F. Karam

Name: Thomas F. Karam
Title: President and Chief Operating Officer

AIG HIGHSTAR CAPITAL, L.P.

By: /s/ Christopher H. Lee

Name: Christopher H. Lee
Title: Managing Partner

AIG HIGHSTAR II FUNDING CORP.

By: /s/ Michael Walsh

Name: Michael Walsh
Title: Treasurer

EXHIBIT (12)

CMS ENERGY CORPORATION
Ratio of Earnings to Fixed Charges and Preferred Securities
Dividends and Distributions
(Millions of Dollars)

	Three Months Ended March 31, 2003	Years Ended December 31 - 2002 (b)	2001 Restated (c)	2000 Restated (d)	1999	1998 (e)
Earnings as defined (a)						
Consolidated net income	$ 79	$(620)	$(448)	$ 43	$ 277	$ 242
Discontinued operations	(27)	222	210	(83)	14	12
Income taxes	41	13	(98)	34	63	100
Exclude equity basis subsidiaries	(31)	(39)	-	(171)	(84)	(92)
Fixed charges as defined, adjusted to exclude capitalized interest of $3, $16, $35, $47, $41, and $29 million for the three months ended March 31, 2003 and the years ended December 31, 2002, 2001, 2000, 1999, and 1998, respectively	130	551	618	558	594	393
Earnings as defined	$ 192	$ 127	$ 282	$ 381	$ 864	$ 655
Fixed charges as defined (a)						
Interest on long-term debt	$ 97	$ 401	$ 416	$ 420	$ 502	$ 318
Estimated interest portion of lease rental	1	5	6	7	8	8
Other interest charges	6	28	82	33	62	47
Preferred securities dividends and distributions	28	132	149	144	96	77
Fixed charges as defined	$ 132	$ 566	$ 653	$ 604	$ 668	$ 450
Ratio of earnings to fixed charges and preferred securities dividends and distributions	1.45	-	-	-	1.29	1.46

NOTES:

(a) Earnings and fixed charges as defined in instructions for Item 503 of Regulation S-K.

(b) For the year ended December 31, 2002, fixed charges exceeded earnings by $439 million. Earnings as defined include $598 million of asset revaluations and other charges. The ratio of earnings to fixed charges and preferred securities dividends and distributions would have been 1.28 excluding these amounts.

(c) For the year ended December 31, 2001, fixed charges exceeded earnings by $371 million. Earnings as defined include $240 million of asset revaluations and other charges.

(d) For the year ended December 31, 2000, fixed charges exceeded earnings by $224 million. Earnings as defined include a $329 million pretax impairment loss on the Loy Yang investment. The ratio of earnings to fixed charges and preferred securities dividends and distributions would have been 1.17 excluding this amount.

(e) Excludes a cumulative effect of change in accounting after-tax gain of $43 million.

Exhibit (99)(a)

CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of CMS Energy Company (the "Company") for the quarterly period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kenneth Whipple, as Chairman of the Board and Chief Executive Officer of the Company, and Thomas J. Webb, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kenneth Whipple
- --------------------------------
Name: Kenneth Whipple
Title: Chairman of the Board and
Chief Executive Officer
Date: May 12, 2003

/s/ Thomas J. Webb
- -----------------------------------
Name: Thomas J. Webb
Title: Executive Vice President and
Chief Financial Officer
Date: May 12, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended.

Exhibit (99)(b)

CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Consumers Energy Company (the "Company") for the quarterly period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kenneth Whipple, as Chairman of the Board and Chief Executive Officer of the Company, and Thomas J. Webb, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kenneth Whipple
- --------------------------------
Name: Kenneth Whipple
Title: Chairman of the Board and
Chief Executive Officer
Date: May 12, 2003

/s/ Thomas J. Webb
- -----------------------------------
Name: Thomas J. Webb
Title: Executive Vice President and
Chief Financial Officer
Date: May 12, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended.

Exhibit (99)(c)

CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Panhandle Eastern Pipe Line Company (the "Company") for the quarterly period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher A. Helms, as President and Chief Executive Officer of the Company, and Thomas J. Webb, as Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher A. Helms
- ----------------------------------
Name: Christopher A. Helms
Title: President and
Chief Executive Officer
Date: May 12, 2003

/s/ Thomas J. Webb
- ----------------------------------
Name: Thomas J. Webb
Title: Executive Vice President and
Chief Financial Officer
Date: May 12, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended.