

## CURRENT REPORT

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) JUNE 26, 2002

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) 436-9261	38-2726431
1-5611	CONSUMERS ENERGY COMPANY (A Michigan Corporation) 212 West Michigan Avenue Jackson, Michigan (517) 788-1030	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

ITEM 5. OTHER EVENTS

APPOINTMENTS AND RESIGNATIONS OF EXECUTIVE OFFICERS

On July 22, 2002, CMS Energy Corporation announced the appointment of Thomas J. Webb as executive vice president and chief financial officer of CMS Energy and Consumers Energy Company, effective in August 2002. Mr. Webb will succeed executive vice president, chief financial and administrative officer Alan M. Wright, who is leaving CMS Energy and Consumers Energy in August to join another company outside the energy industry.

On June 26, 2002, Rodger A. Kershner resigned his positions as senior vice president, general counsel and secretary of CMS Energy and senior vice president and secretary of Consumers Energy. On June 27, 2002, S. Kinnie Smith, Jr. was named to the positions of vice chairman and general counsel of CMS Energy and vice chairman of Consumers Energy. Mr. Smith's formal election to CMS Energy's board of directors will occur at the board's next meeting on August 1, 2002, filling the vacancy created by the resignation from the board of William T. McCormick, Jr. in June 2002.

AGREEMENTS TO SELL CMS OIL AND GAS COMPANY

On July 22, 2002, CMS Energy announced it had signed a definitive agreement and a letter of intent that together provide for the sale of CMS Energy's oil and gas exploration and production unit, CMS Oil and Gas Company, for approximately \$232 million, which will result in a second quarter after tax loss of approximately \$110 million. The buyers under the definitive agreement (which consisted of a primary definitive agreement and a separate stock purchase agreement) will be Perenco S.A., a privately held exploration and production company, and its affiliated companies. The primary definitive agreement with Perenco S.A. and its affiliates covers their purchases of the stock of CMS Oil and Gas Company and its primary international subsidiary, with the exception of subsidiaries holding CMS oil and gas interests in each of Venezuela and Colombia. Consummation of this primary sale transaction is subject to customary closing conditions, including notices to affected governments and partners. The Venezuelan subsidiary is the subject of a separate stock purchase agreement with a Perenco affiliate, and its sale is subject to certain governmental approvals relating to the Venezuelan concession. Negotiation of a third definitive agreement is actively underway with another party for CMS Oil and Gas Company's interests in Colombia, which are currently covered by the letter of intent.

Execution of the definitive agreement for the Colombian interests as well as closings on all three sales are expected in the third quarter, although CMS Energy cannot make any assurances as to completion of all such sales or such timing.

## COMPLETION OF NEW CREDIT FACILITIES AND DIVIDEND REDUCTION

On July 12, 2002, CMS Energy and its subsidiaries (the "Company") reached agreement with its lenders on five credit facilities totaling approximately \$1.3 billion of credit for CMS Energy and its CMS Enterprises Company and Consumers Energy subsidiaries. The agreements were executed by various combinations of up to 21 lenders and by the Company as follows: a \$295.8 million revolving credit facility by CMS Energy, maturing March 31, 2003; a \$300 million revolving credit facility by CMS Energy, maturing December 15, 2003; a \$150 million short term loan by CMS Enterprises, maturing December 13, 2002; a \$250 million revolving credit facility by Consumers Energy, maturing July 11, 2003; and a \$300 million term loan by Consumers Energy, maturing July 11, 2003 with a one-year extension at Consumers Energy's option.

Pursuant to restrictive covenants in the CMS Energy \$295.8 million facility and the CMS Enterprises \$150 million facility, CMS Energy is limited to quarterly dividend payments of \$0.1825 per share and must receive \$250 million in net cash proceeds from the planned issuance of equity or equity-linked securities by December 31, 2002 in order to pay a dividend thereafter. The CMS Energy \$300 million facility does not have the foregoing restrictive covenant, but does include a limitation on cash dividends if CMS Energy's level of Cash Dividend Income to interest expense falls below 1.05 to 1.00. As a result of these dividend restrictions, CMS Energy's board of directors announced its intent to cut the CMS Energy common stock dividend by approximately 50 percent, to an annual rate of 72 cents per share. Also pursuant to restrictive covenants in its facilities, Consumers Energy is limited to dividend payments that will not exceed \$300 million in any calendar year. In 2001, Consumers Energy paid \$189 million in common stock dividends to CMS Energy.

The facilities are secured credits with mandatory prepayment of borrowings under certain of the facilities using proceeds from asset sales and capital market issuances. The CMS facilities grant the applicable bank groups either first or second liens on the capital stock of CMS Enterprises and its major direct and indirect domestic subsidiaries, including Panhandle Eastern Pipe Line Company (but excluding subsidiaries of Panhandle). The Consumers Energy facilities grant the applicable bank groups security through first mortgage bonds.

The new credit facilities essentially replace or restructure previously existing credit facilities or lines at CMS Energy or Consumers Energy, without substantially changing credit commitments. The three CMS facilities aggregating \$745.8 million represent a restructuring of a prior CMS Energy \$300 million three-year revolving credit facility maturing in June 2004 and a prior CMS Energy \$450 million revolving credit facility originally maturing June 2002, but previously extended through July 12, 2002. The two Consumers Energy facilities aggregating \$550 million replace a \$300 million revolving credit facility that matured July 14, 2002 as well as various credit lines aggregating \$200 million. All such prior credit facilities and lines were unsecured.

The CMS Energy \$300 million facility and the CMS Energy \$295.8 million facility, as well as the CMS Enterprises \$150 term loan, each have an interest rate of LIBOR plus 300 basis points. The Consumers Energy \$250 million facility and the Consumers Energy \$300 million term loan have interest rates of LIBOR plus 200 basis points (although the rate may fluctuate depending on the rating of Consumers first mortgage bonds) and LIBOR plus 250 basis points, respectively.

The CMS facilities also have financial restrictions that limit CMS Energy's level of Consolidated Debt to Consolidated EBITDA to not more than 5.75 to 1 for the immediately preceding four quarters and its level of Cash Dividend Income to Interest Expense to not less than 1.25 to 1.0 for the immediately preceding four quarters. The Consumers Energy facilities' financial covenants limit its level of Total Consolidated Debt to Total Consolidated Capitalization to not greater than 0.65 to 1.0 and its Consolidated EBITA to Consolidated Interest Coverage to not less than 2.0 to 1.0 for the immediately preceding four quarters.

For a summary of the terms and conditions of each of the five agreements, see Exhibit 10.6, Summary Terms and Conditions of Credit Facilities. Copies of each of the credit facilities as well as the guarantees and pledge agreements executed by CMS Energy, CMS Enterprises and their major domestic subsidiaries in support of the credit facilities are filed as exhibits to this Form 8-K.

#### ROUND-TRIP TRADES

On June 26, 2002, CMS Energy announced that the special committee of its board of directors selected the law firm Winston & Strawn to help the special committee launch a previously announced investigation into matters surrounding round-trip energy trades by the Company's marketing unit, CMS Marketing, Services and Trading (CMS MS&T). The special committee expects to complete its work and report to the board within approximately 60 to 90 days from this launch.

CMS Energy continues to cooperate with previously disclosed investigations by the Securities and Exchange Commission, the Commodities Future Trading Commission, the Federal Energy Regulatory Commission and the Department of Justice, which concern generally round-trip trading and the Company's financial statements, accounting practices and controls.

As previously disclosed, CMS Energy plans to amend as soon as practical its 2001 Form 10-K and restate its financial statements for 2000 and 2001 to eliminate the effects of round-trip trades. Ernst & Young LLP has commenced its audit work, to the extent necessary to support the Company's restatement and filing of a 2001 Form 10-K/A, but has advised CMS Energy that the re-audit work can only be completed following receipt of certain assurances regarding the results of the special committee's investigation.

Because of the nature of these investigations and re-audits, however, CMS Energy cannot make any assurances as to when the special committee will conclude its investigation, submit its report to the board and provide adequate assurances to Ernst & Young, when and with what results Ernst & Young will complete its re-audit efforts or the Department of Justice, SEC or other regulatory agencies will complete their investigations.

On July 11, 2002 and July 18, 2002, two Consumers Energy employees filed alleged class action lawsuits on behalf of the participants and beneficiaries of the CMS Employees' Savings and Incentive Plan in the United States District Court for the Eastern District of Michigan. CMS Energy, Consumers Energy and CMS MS&T are defendants in one action, and CMS Energy, Consumers Energy, and other alleged fiduciaries are defendants in the other. In connection with round-trip trades, the complaints allege retirement account losses resulting from breaches of the fiduciary obligations by the fiduciaries of the Plan. The complaints allege various counts arising under the Employee Retirement Income Security Act. A copy of the July 11, 2002 Complaint is filed as an exhibit to this Form 8-K.

PLANS TO SHARPEN BUSINESS FOCUS, IMPROVE CASH FLOW AND  
IMPROVE BALANCE SHEET

In addition to the increased liquidity from the CMS Energy common stock dividend cut described above, on June 26, 2002, CMS Energy announced a series of steps designed to further sharpen its business focus, improve cash flows and strengthen its balance sheet. In addition to identifying new assets to be sold, the company is restructuring its CMS MS&T unit and revising its business plan to reflect decreased energy trading activities. CMS MS&T will eliminate its speculative energy trading business line and reduce its work force by approximately 25 percent, or 50 positions. CMS Energy also announced plans to sell its energy performance contracting subsidiary, CMS Viron, as well as Panhandle's one-third ownership interest in Centennial Pipeline LLP, an interstate refined petroleum products pipeline.

On July 9, 2002, CMS Energy announced a series of initiatives to reduce operating costs by an estimated \$50 million annually. These initiatives include the following:

- Relocating CMS Energy's corporate headquarters from Dearborn, Michigan, to a new headquarters building currently under construction in Jackson, Michigan. The Jackson headquarters building is scheduled to open beginning in March 2003 and will house an estimated 1,450 CMS Energy and Consumers Energy employees. The relocation will reduce corporate employee staffing requirements by an estimated 50 positions, and will reduce office lease, travel, salary and information technology costs;
- Changes in the Company's 401(k) savings program that provide additional savings for the Company and enhanced investment options for employee participants, which changes include the suspension of the 401(k) Company match for 28 months and the elimination of the Company's incentive match; and
- Changes in the Company's health care plan in order to keep benefits and costs competitive.

In addition to these initiatives, the Company also announced that compensation for CMS Energy's Chairman and Chief Executive Officer Ken Whipple will be largely deferred and based on the performance of CMS Energy common stock, thereby tying his compensation to the Company's future performance.

RECENT RATING AGENCIES DOWNGRADES

In recent weeks, the credit ratings of the publicly traded securities of each of CMS Energy, Consumers Energy and Panhandle (but not of Consumers Funding LLC) have been downgraded by the major rating agencies. The ratings downgrade for all three companies' securities is largely a function of the uncertainties associated with CMS Energy's financial condition and liquidity pending resolution of the round-trip trading investigations and lawsuits, the special board committee investigation, financial statement restatement and re-audit, and access to the capital markets. The current ratings are as follows:

	S&P ---	MOODY'S -----	FITCH -----
CMS ENERGY -----			
Corporate Ratings	BB	--	--
Senior Unsecured Debt (X-TRAS, GTNs, Unsecured Notes, REPS)	B+	B3	BB-
Preferred Securities (QUIPS, ACTS, PEPs)	B	Caa1	B-
Outlook/Credit Trend	NEGATIVE	Review for Possible Downgrade	Rating Watch Negative
CMS PANHANDLE -----			
Corporate Ratings	BB	--	--
Senior Unsecured Notes	BB	Ba2	BB+
Outlook/Credit Trend	Negative	Review for Possible Downgrade	Rating Watch Negative
CONSUMERS ENERGY -----			
Corporate Ratings	BB	--	--
Secured Debt	BBB-	Baa3	BBB
Unsecured Debt	B+	Ba1	BB+
Preferred Securities	B	Ba1	BB-
Outlook/Credit Trend	Negative	Review for Possible Downgrade	Rating Watch Negative
CONSUMERS FUNDING LLC -----			
Securitization Bonds	AAA	Aaa	AAA

As a result of the most recent downgrades, contractual rights were triggered in several contractual arrangements between Company subsidiaries and third parties. More specifically, a \$69 million loan to Panhandle made in connection with the December 2001 LNG off balance sheet monetization transaction is subject to a repayment demand up to the full amount by the unaffiliated equity partner in the LNG Holdings joint venture, although no such demand has been made to date. In addition, the construction lenders for the Guardian and Centennial pipeline projects, each partially owned by Panhandle, have requested acceptable credit support for Panhandle's guarantee of its pro rata portion of those construction loans, which portion aggregates \$110 million including anticipated future draws. Further, one of the issuers of a joint and several surety bond in the approximate amount of \$190 million supporting a CMS MS&T gas supply contract has demanded collateral for up to the full amount of such bond. A second issuer of surety bonds aggregating approximately \$113 million in support of two other CMS MST gas supply contracts also has a right to request collateral for up to the full amounts of such bonds, and certain parties involved in those gas supply contracts have the right to seek replacement surety bonds due to the ratings downgrade of the current surety bond issuer. The Company is working with its contractual parties to find mutually satisfactory arrangements, but there can be no assurance of reaching such arrangements.

#### FORWARD-LOOKING STATEMENTS

This Form 8-K contains "forward-looking statements" that are subject to risks and uncertainties. They should be read in conjunction with the "Forward-Looking Statement Cautionary Factors" in CMS Energy's, Consumers' and Panhandle's Form 10-K, Item 1 (incorporated by reference herein) that discusses important factors that could cause CMS Energy's, Consumers Energy's and Panhandle's results to differ materially from those anticipated in such statements.

#### ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS.

- 4.1 \$295.8 million revolving credit facility for CMS Energy, due March 31, 2003
- 4.2 \$300 million revolving credit facility for CMS Energy, due December 15, 2003
- 4.3 \$150 million short term loan for CMS Enterprises, due December 13, 2002
- 4.4 \$250 million revolving credit facility for Consumers Energy, due July 11, 2003
- 4.5 \$300 million term loan for Consumers Energy, due July 11, 2003 with a one-year extension at Consumers' option
- 4.6 Eighty-First Supplemental Indenture, dated July 12, 2002 to the Indenture date as of September 1, 1945 between Consumers Energy and JPMorgan Chase, as Trustee.
- 4.7 Eighty-Second Supplemental Indenture, dated July 12, 2002 to the Indenture date as of September 1, 1945 between Consumers Energy and JPMorgan Chase, as Trustee.
- 4.8 Summary of Terms and Conditions of Credit Facilities
- 4.9 Grantors Pledge and Security Agreement for CMS Energy Corporation
- 4.10 Grantors Pledge and Security Agreement for CMS Enterprises Company
- 4.11 CMS Energy Pledge and Security Agreement
- 4.12 Guaranty for CMS Energy Corporation
- 4.13 Guaranty for CMS Enterprises Company
- 99.1 Schilling ERISA Complaint dated July 11, 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned hereunto duly authorized.

CMS ENERGY CORPORATION

Dated: July 30, 2002

By: /s/ Alan M. Wright

-----  
Alan M. Wright  
Executive Vice President, Chief Financial  
Officer and Chief Administrative Officer

CONSUMERS ENERGY COMPANY

Dated: July 30, 2002

By: /s/ Alan M. Wright

-----  
Alan M. Wright  
Executive Vice President, Chief Financial  
Officer and Chief Administrative Officer

PANHANDLE EASTERN PIPE LINE COMPANY

Dated: July 30, 2002

By: /s/ William J. Haener

-----  
William J. Haener  
Chairman of the Board

EXHIBIT INDEX

4.1	\$295.8 million revolving credit facility for CMS Energy, due March 31, 2003
4.2	\$300 million revolving credit facility for CMS Energy, due December 15, 2003
4.3	\$150 million short term loan for CMS Enterprises, due December 13, 2002
4.4	\$250 million revolving credit facility for Consumers Energy, due July 11, 2003
4.5	\$300 million term loan for Consumers Energy, due July 11, 2003 with a one-year extension at Consumers' option
4.6	Eighty-First Supplemental Indenture, dated July 12, 2002 to the Indenture date as of September 1, 1945 between Consumers Energy and JPMorgan Chase, as Trustee.
4.7	Eighty-Second Supplemental Indenture, dated July 12, 2002 to the Indenture date as of September 1, 1945 between Consumers Energy and JPMorgan Chase, as Trustee.
4.8	Summary of Terms and Conditions of Credit Facilities
4.9	Grantors Pledge and Security Agreement for CMS Energy Corporation
4.10	Grantors Pledge and Security Agreement for CMS Enterprises Company
4.11	CMS Energy Pledge and Security Agreement
4.12	Guaranty for CMS Energy Corporation
4.13	Guaranty for CMS Enterprises Company
99.1	Schilling ERISA Complaint dated July 11, 2002

-----  
\$295,800,000

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of July 12, 2002,

Among

CMS ENERGY CORPORATION  
as Borrower

and

THE BANKS NAMED HEREIN  
as Banks

and

BARCLAYS BANK PLC  
as Administrative Agent

and

CITICORP USA, INC.  
as Collateral Agent

and

BANK OF AMERICA, N.A.  
and  
JPMORGAN CHASE BANK  
as Co-Syndication Agents

and

UNION BANK OF CALIFORNIA, N.A.  
and  
CITICORP USA, INC.  
as Documentation Agents

-----  
SALOMON SMITH BARNEY INC.  
as Book Manager

SALOMON SMITH BARNEY INC. AND BARCLAYS CAPITAL  
as Joint Lead Arrangers  
-----

TABLE OF CONTENTS

SECTION	PAGE
ARTICLE I DEFINITIONS AND ACCOUNTING TERMS	
SECTION 1.01. Certain Defined Terms.....	1
SECTION 1.02. Computation of Time Periods; Construction.....	20
SECTION 1.03. Accounting Terms.....	20
ARTICLE II COMMITMENTS	
SECTION 2.01. The Commitments.....	21
SECTION 2.02. Fees.....	21
SECTION 2.03. Reduction of the Commitments; Mandatory Prepayments.....	21
SECTION 2.04. Computations of Outstandings.....	23
ARTICLE III LOANS	
SECTION 3.01. Loans.....	23
SECTION 3.02. Conversion of Loans.....	24
SECTION 3.03. Interest Periods.....	25
SECTION 3.04. Other Terms Relating to the Making and Conversion of Loans.....	25
SECTION 3.05. Repayment of Loans; Interest.....	27
ARTICLE IV [RESERVED]	
ARTICLE V PAYMENTS, COMPUTATIONS AND YIELD PROTECTION	
SECTION 5.01. Payments and Computations.....	28
SECTION 5.02. Interest Rate Determination.....	30
SECTION 5.03. Prepayments.....	30
SECTION 5.04. Yield Protection.....	30
SECTION 5.05. Sharing of Payments, Etc.....	32
SECTION 5.06. Taxes.....	32
SECTION 5.07. Apportionment of Payments.....	34
SECTION 5.08. Proceeds of Collateral.....	35

TABLE OF CONTENTS (CONT'D)

SECTION	PAGE
ARTICLE VI CONDITIONS PRECEDENT	
SECTION 6.01. Conditions Precedent to the Effectiveness of this Agreement.....	35
SECTION 6.02. Conditions Precedent to Each Extension of Credit.....	37
SECTION 6.03. Conditions Precedent to Certain Extensions of Credit.....	38
SECTION 6.04. Reliance on Certificates.....	38
SECTION 6.05. Condition Precedent to the Initial Extension of Credit.....	39
ARTICLE VII REPRESENTATIONS AND WARRANTIES	
SECTION 7.01. Representations and Warranties of the Borrower.....	39
ARTICLE VIII COVENANTS OF THE BORROWER	
SECTION 8.01. Affirmative Covenants.....	42
SECTION 8.02. Negative Covenants.....	45
SECTION 8.03. Reporting Obligations.....	52
ARTICLE IX DEFAULTS	
SECTION 9.01. Events of Default.....	55
SECTION 9.02. Remedies.....	57
ARTICLE X THE AGENTS	
SECTION 10.01. Authorization and Action.....	58
SECTION 10.02. Indemnification.....	60
SECTION 10.03. Concerning the Collateral and the Loan Documents.....	60
SECTION 10.04. Release of Guarantors.....	61
ARTICLE XI MISCELLANEOUS	
SECTION 11.01. Amendments, Etc.....	62
SECTION 11.02. Notices, Etc.....	62
SECTION 11.03. No Waiver of Remedies.....	63
SECTION 11.04. Costs, Expenses and Indemnification.....	63
SECTION 11.05. Right of Set-off.....	64
SECTION 11.06. Binding Effect.....	64
SECTION 11.07. Assignments and Participation.....	64
SECTION 11.08. Confidentiality.....	68

TABLE OF CONTENTS (CONT'D)

SECTION	PAGE
SECTION 11.09. Waiver of Jury Trial.....	69
SECTION 11.10. GOVERNING LAW; SUBMISSION TO JURISDICTION.....	69
SECTION 11.11. Relation of the Parties; No Beneficiary.....	70
SECTION 11.12. Execution in Counterparts.....	70
SECTION 11.13. Survival of Agreement.....	70

- Exhibits
- EXHIBIT A - Form of Notice of Borrowing
  - EXHIBIT B - Form of Notice of Conversion
  - EXHIBIT C - Form of Opinion of Michael D. VanHemert, Esq., counsel to the Borrower
  - EXHIBIT D-1 - Form of Opinion of Hughes Hubbard & Reed LLP, special counsel to the Borrower
  - EXHIBIT D-2 - 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
  - EXHIBIT J - Form of Pledge and Security Agreement (Borrower)
  - EXHIBIT K - Form of Pledge and Security Agreement (Grantors)

Schedules

COMMITMENT  
SCHEDULE

- SCHEDULE I Applicable Lending Offices
- SCHEDULE II Certain Debt
- SCHEDULE III Pledged Capital Stock

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of July 12, 2002

THIS 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,
- (iii) Barclays Bank PLC ("BARCLAYS"), as administrative agent (the "ADMINISTRATIVE AGENT") for the Lenders hereunder,
- (iv) Citicorp USA, Inc. ("CUSA"), as collateral agent (the "COLLATERAL AGENT") for the Lenders hereunder, and
- (v) Bank of America, N.A. and JPMorgan Chase Bank, as co-syndication agents (the "CO-SYNDICATION AGENTS"), and Union Bank of California, N.A. and CUSA, as documentation agents (the "DOCUMENTATION AGENTS").

PRELIMINARY STATEMENTS

The Borrower has requested the Banks to amend and restate the Existing Credit Agreement (as hereinafter defined) 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, the Collateral Agent, any Co-Syndication Agent or any Documentation Agent, and "AGENTS" means any or all of the foregoing.

"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 and (b) 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 or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE LENDING OFFICE" means, with respect to each Lender, (i) such Lender's Domestic Lending Office, in the case of an ABR Loan, and (ii) such Lender's Eurodollar Lending Office, in the case of a Eurodollar Rate Loan.

"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:

ABR Loans	2.00%
-----	
Eurodollar Rate Loans	3.00%
-----	

"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.

"ARRANGERS" means Salomon Smith Barney Inc. and Barclays Capital.

"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.

"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.

"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.

"CLOSING DATE" means July 12, 2002.

"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 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 11.07(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. The Commitments shall in no event exceed \$295,800,000.

"COMMITMENT FEE MARGIN" means a per annum rate equal to 0.50%.

"COMMITMENT SCHEDULE" means the Schedule identifying each Lender's Commitment as of the Closing Date attached hereto and identified as such.

"CONFIDENTIAL INFORMATION" has the meaning assigned to that term in Section 11.08.

"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 Arrangers 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, its Subsidiaries or PremStar Energy Canada Ltd. ("PREMSTAR") 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, any of its Subsidiary's or PremStar's obligations under any such purchase or sale transaction (a "COVERING TRANSACTION") entered into by MS&T, any of its Subsidiaries or PremStar 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, any of its Subsidiaries or PremStar in support of such Counterparty's payment obligations to MS&T, such Subsidiary or PremStar 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" is defined in Section 6.05.

"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.

"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, (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 8.01(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) and (ii) of Section 2.03(c).

"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.

"DOMESTIC LENDING OFFICE" means, with respect to any Lender, the office or affiliate of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Lender Assignment pursuant to which it became a Lender, or such other office or affiliate of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"ELIGIBLE ASSIGNEE" means (a) a commercial bank or trust company organized under the laws of the United States, or any State thereof; (b) a commercial bank organized under the laws of any other country that is a member of the OECD, or a political subdivision of any such country, provided that such bank is acting through a branch or agency located in the United States; (c) the central bank of any country that is a member of the OECD; and (d) any other commercial bank or other financial institution engaged generally in the business of extending credit or purchasing debt instruments; provided, however, that (A) any such Person shall also (i) have outstanding unsecured indebtedness that is rated A- or better by S&P or A3 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 indebtedness of entities engaged in such businesses) or (ii) have combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than \$250,000,000 (or its equivalent in foreign currency), (B) any Person described in clause (b), (c), or (d) above, shall, on the date on which it is to become a Lender hereunder, (1) be entitled to receive payments hereunder without deduction or withholding of any United States Federal income taxes (as contemplated by Section 5.06) and (2) not be incurring any losses, costs or expenses of the type for which such Person could demand payment under Section 5.04(a) or (c) (except to the extent that, in the absence of the making of an assignment to such Person, the assigning Lender would have incurred an equal or greater amount of such losses, costs or expenses and such losses, costs or expenses would have been payable by the Borrower to such assigning Lender hereunder), and (C) any Person described in clause (d) above shall, in addition, be acceptable to the Administrative Agent (which acceptance shall not be unreasonably withheld or delayed).

"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 Credit Agreement, dated as of July 12, 2002, by and among Enterprises, as borrower, the lenders from time to time parties thereto, and Citicorp USA, Inc., as administrative agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"ENTERPRISES SIGNIFICANT SUBSIDIARY" means CMS Oil and Gas Company, 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 "commonly controlled entity" within the meaning of the regulations under Section 414 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 LENDING OFFICE" means, with respect to any Lender, the office or affiliate of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Lender Assignment pursuant to which it became a Lender (or, if no such office or affiliate is specified, its Domestic Lending Office), or such other office or affiliate of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"EURODOLLAR RATE LOAN" means a Loan that bears interest as provided in Section 3.05(b)(ii).

"EVENT OF DEFAULT" is defined in Section 9.01.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXISTING CREDIT AGREEMENT" means the \$450,000,000 Credit Agreement, dated as of June 18, 2001, among the Borrower, the lenders party thereto, Barclays Bank PLC, as administrative agent and collateral agent, Bank of America, N.A. and The Chase Manhattan Bank, as co-syndication agents, and Citibank, N.A. and Union Bank of California, 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 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 8.01(1).

"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 and Gas Company, a Michigan corporation, CMS Oil and Gas Company, a Michigan corporation, 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, and CMS Natural Gas Gathering, L.L.C., an Oklahoma limited liability company.

"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 8.01(1).

"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 11.04(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.

"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" means an assignment and agreement entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit F.

"LENDERS" means the Banks listed on the signature pages hereof and each Eligible Assignee that shall become a party hereto pursuant to Section 11.07.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, 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 8.02(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 6.01(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.

"MEASUREMENT QUARTER" is defined in Section 8.01(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 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.

"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.

"NOTICE OF BORROWING" is defined in Section 3.01(a).

"NOTICE OF CONVERSION" is defined in Section 3.02.

"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 Arrangers, 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 11.07(e).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor entity) established under ERISA.

"PERCENTAGE" means, for any Lender on any date of determination, 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%. In the event that the Commitments have been terminated, each Lender's Percentage shall be calculated on the basis of the Commitments in effect immediately prior to such termination.

"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); and

(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).

"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 (other than a Multiemployer Plan) maintained for employees of such Person or any ERISA Affiliate of such Person and covered by Title IV of ERISA.

"PLAN TERMINATION EVENT" means, with respect to any Person, (i) 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 (ii) the withdrawal of such Person 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 (iii) the filing of a notice of intent to terminate a Plan or the treatment 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.

"PLEDGE AGREEMENTS" means each of (i) that certain Pledge and Security Agreement, dated as of July 12, 2002, 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 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 III 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.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Barclays as its prime 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(d); and "PROMISSORY NOTES" means any or all of the foregoing.

"RECIPIENT" is defined in Section 11.08.

"REGISTER" is defined in Section 11.07(c).

"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 at least 51% 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 at least 51%. 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.

"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 stranded costs.

"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, (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.

"TERMINATION DATE" means the earlier to occur of (i) March 31, 2003 and (ii) the date of termination or reduction in whole of the Commitments pursuant to Section 2.03 or 9.02.

"THREE YEAR FACILITY" means that certain \$300,000,000 Amended and Restated Credit Agreement dated as of July 12, 2002, by and among the Borrower, the Banks and the Agents, as the same may amended, restated, supplemented or otherwise modified from time to time.

"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 7.01(e) ("GAAP"). 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 Arrangers 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 8.03 shall be prepared in accordance with generally accepted accounting principles in effect at such time.

ARTICLE II  
COMMITMENTS

SECTION 2.01. THE COMMITMENTS. 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 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.

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 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 January, April, July and October, commencing the first such date to occur following the Closing Date, and on the Termination Date.

(b) On December 31, 2002, the Borrower shall pay to the Administrative Agent, for the account of each Lender, an incentive fee equal to 1.00% multiplied by each such Lenders' Commitment as of such date, unless on or prior to such date the Borrower or Enterprises shall have received not less than \$200,000,000 in the aggregate in Net Proceeds from the sale or disposition of assets of the Borrower and its Subsidiaries or the issuance of debt securities by the Borrower or its Subsidiaries in the capital markets, and shall have applied such Net Proceeds in accordance with the terms of this Agreement.

(c) In addition to the fees provided for in subsections (a) and (b) above, the Borrower shall pay to the Administrative Agent, for the account of Barclays and the other Persons entitled thereto, such other fees as are provided for in that certain letter agreement (including, without limitation, an upfront fee payable to the Administrative Agent for the ratable benefit of the Lenders hereunder equal to 50 basis points multiplied by the aggregate amount of the Commitments), dated July 12, 2002 among the Borrower, the Arrangers and Barclays (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) From and after the date that all of the obligations under the Enterprises Credit Agreement shall have been paid in full in cash and the Enterprises 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, 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 herewith, in excess of \$5,000,000, 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 and (B) any sale or other disposition by the Borrower or any of its Subsidiaries in the ordinary course of business consistent with past practice; and

(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 sale or issuance of equity securities or incurrence of Debt For Borrowed Money, other than securities issued by or 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 (a) one hundred percent (100%) of such Net Proceeds until the Borrower shall have received \$250,000,000 of Net Proceeds from such sale or issuance or incurrence, and (b) seventy-five percent (75%) of such Net Proceeds thereafter.

Nothing in this Section 2.03(c) shall be construed to constitute the Lenders' consent to any transaction referenced in clauses (i) and (ii) above which is not expressly permitted by Article VIII. 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 Payment 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 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 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 222 Broadway, 11th Floor, New York, New York 10038, 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 VI, 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) If and to the extent that any Lender (a "NON-PERFORMING LENDER") shall not have made available to the Administrative Agent, in accordance with subsection (b) above,

such Lender's Percentage of any Borrowing, the non-performing Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand corresponding amounts, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Loans made in connection with such Borrowing and (ii) in the case of such Lender, the Federal Funds Effective Rate. Within the limits of each Lender's Available Commitment and subject to the other terms and conditions set forth in this Agreement for the making of Loans (including Section 8.01(h)), the Borrower may request (and the Lenders shall honor) one or more additional Borrowings from the performing Lenders to fund such repayment to the Administrative Agent. If a non-performing Lender shall repay to the Administrative Agent such corresponding amount in full (with interest as above provided), (x) the Administrative Agent shall apply such corresponding amount and interest to the repayment to the Administrative Agent (or repayment of Loans made to fund such repayment to the Administrative Agent), and shall make any remainder available to the Borrower and (y) such amount so repaid shall be deemed to constitute such Lender's Loan, made as part of such Borrowing for purposes of this Agreement as if funded concurrently with the other Loans made as part of such Borrowing, and such Lender shall forthwith cease to be deemed a non-performing Lender; if and so long as such non-performing Lender shall not repay such amount, and unless and until an Eligible Assignee shall have assumed and performed the obligations of such non-performing Lender, all computations by the Administrative Agent of Percentages, Commitments and payments hereunder shall be made without regard to the Commitment, or outstanding Loans, of such non-performing Lender, and any amounts paid to the Administrative Agent for the account of such non-performing Lender shall be held by the Administrative Agent in trust for such non-performing Lender in a non-interest-bearing special purpose account. Nothing herein shall in any way limit, waive or otherwise reduce any claims that any party hereto may have against any non-performing Lender. The failure of any Lender to make the Loan to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on the date of any Borrowing.

(d) 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 11.07) 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 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 (i) all Borrowings comprising Eurodollar Rate Loans outstanding hereunder and (ii) all "Borrowings" comprising "Eurodollar Rate Loans" under, and as such terms are defined in, the Three Year Facility, be greater than fifteen (15);

(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 5.04(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 to an Eligible Assignee), 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), or shall become a non-performing Lender under Section 3.01(c), and if and so long as such Lender shall not have withdrawn such notice or corrected such non-performance in accordance with said Section 3.04(b) or Section 3.01(c), the Borrower or the Administrative Agent may demand that such Lender assign in accordance with Section 11.07, to one or more Eligible Assignees designated by the Borrower or the Administrative Agent, 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 Eligible Assignee 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 Eligible Assignee, 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 Eligible Assignee (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 5.04(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 VI, 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 January, April, July and October, 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  
[RESERVED]

ARTICLE V  
PAYMENTS, COMPUTATIONS AND YIELD PROTECTION

SECTION 5.01. PAYMENTS AND COMPUTATIONS.

(a) The Borrower shall make each payment hereunder and under the other Loan Documents not later than 2:00 P.M. on the day when due in Dollars to the Administrative Agent at its offices at 222 Broadway, 11th Floor, New York, New York 10038, in same day funds; any payment received after 3:00 P.M. 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. 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 11.07, 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 5.07, (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 5.02. 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 5.03. 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 5.04(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 so much of the principal amount outstanding as shall be necessary in order that the aggregate principal amount outstanding (after giving effect to all Extensions of Credit to be made on such date and the application of the proceeds thereof) will not exceed the Commitments following such termination or reduction, together with (i) accrued interest to the date of such prepayment on the principal amount repaid and (ii) in the case of prepayments of Eurodollar Rate Loans, any amount payable to the Lenders pursuant to Section 5.04(b). Any 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 5.04. 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 5.03, an acceleration of maturity of the Loans pursuant to Section 9.02, 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 participation in 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 5.04 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 5.04, 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 5.04 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 5.04 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 5.04 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 5.05. 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 5.04 or Section 5.06) 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 5.05 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 5.05, on the date of receipt of such excess payment, return such excess payment to the Administrative Agent for distribution in accordance with Section 5.01(a).

#### SECTION 5.06. TAXES.

(a) All payments by the Borrower hereunder and under the other Loan Documents shall be made in accordance with Section 5.01, 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 5.06) 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 5.06) 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 5.06 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 11.02, 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 5.07. APPORTIONMENT OF PAYMENTS.

(a) Subject to the provisions of Section 2.03 and Section 5.07(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 5.07(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 Barclays for which the Administrative Agent has not then been reimbursed by such Lender or the Borrower,

(ii) second, to pay interest on and then the principal of the Loans 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 Barclays 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, if the obligations under the Enterprises Credit Agreement shall not have been paid in full, the Collateral Agent shall apply the proceeds of all Collateral (other than Collateral in respect of which the Collateral Agent shall have a prior security interest on behalf of the Lenders hereunder and under the Three Year Facility) as contemplated by the Enterprises Credit Agreement. The order of priority set forth in this Section 5.07(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 5.08. 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 shall have a prior security interest on behalf of the Lenders hereunder and under the Three Year Facility) 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 5.07 or as otherwise required under the Enterprises Credit Agreement so long as the Enterprises Credit Agreement 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 5.07 or as otherwise required under the Enterprises Credit Agreement so long as the Enterprises Credit Agreement 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 5.07 or as otherwise required under the Enterprises Credit Agreement so long as the Enterprises Credit Agreement shall be in effect.

ARTICLE VI  
CONDITIONS PRECEDENT

SECTION 6.01. 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, 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 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 (or comparable charter document) and by-laws 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 II 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 June 30, 2002; and

(B) debt (as such term is construed in accordance with GAAP) of the Loan Parties as of June 30, 2002.

(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 Enterprises Credit Agreement, as in effect on the Closing Date.

(ix) Favorable opinions of:

(A) Michael D. VanHemert, 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) Hughes Hubbard & Reed LLP, special counsel to the Loan Parties in substantially the form of Exhibit D-1 and as to such other matters as the Administrative Agent may reasonably request; and

(C) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Loan Parties in substantially the form of Exhibit D-2 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 7.01 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 11.04(a), in each case to the extent then due and payable.

(d) 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 all certificates representing capital stock included in the Collateral have been delivered to the Collateral Agent (with duly executed stock powers).

SECTION 6.02. 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 7.01 of this Agreement (other than those contained in subsections (e)(ii) 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 6.03. 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)(ii) and (f) of Section 7.01 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 6.04. 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 6.05. 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 condition precedent: the Administrative Agent shall have received, on or before the day of the initial Extension of Credit, in form and substance satisfactory to it, a certificate, executed by a duly authorized officer of the Borrower, confirming that attached thereto is a true, correct and complete copy of the credit agreements and other instruments evidencing the refinancing and/or replacement of Consumer's existing \$300,000,000 senior credit facilities (such refinancing and/or replacement, as amended, restated, refunded, replaced, supplemented or otherwise modified from time to time being the "CONSUMERS CREDIT FACILITY"), as in effect on the date of such certificate.

ARTICLE VII  
REPRESENTATIONS AND WARRANTIES

SECTION 7.01. 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 a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation 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 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 Three Year Facility and the Enterprises 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 6.01(d), perfected Liens in the Collateral covered thereby securing the payment of all of the Loans purported to be secured thereby, which Liens shall be first perfected Liens with respect to all Collateral that is not otherwise subject to a Lien in favor of the collateral agent under the Enterprises 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 sheet of the Borrower and its Consolidated Subsidiaries as at December 31, 2001, and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Consolidated Subsidiaries for the fiscal year then ended, included in the Borrower's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and the unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at March 31, 2002, and the related unaudited consolidated statements of income, retained earnings and cash flows for the three-month period then ended, in each case as such financial statements are proposed to be restated as disclosed in the Borrower's Forms 8-K filed with the Securities and Exchange Commission on May 29, 2002 and June 11, 2002, copies of each of which have been furnished to each Lender, fairly present (subject, in the case of such balance sheet and statement of income for the three months ended March 31, 2002, to year-end adjustments) 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, all in accordance with generally accepted accounting principles consistently applied; (ii) since March 31, 2002, except as disclosed in the Borrower's Quarterly Report on Form 10-Q for the period ended March 31, 2002 and in the Current Reports on Form 8-K filed by the Borrower on May 29, 2002 and June 11, 2002, there has been no Material Adverse Change; and (iii) no Loan Party has any material liabilities or obligations except as reflected in the foregoing financial statements and in Schedule II, 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, 2001, the Borrower's Quarterly Report on Form 10-Q for the period ended March 31, 2002, and the Current Report on Form 8-K filed by the Borrower on May 29, 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 Reports filed with the Securities and Exchange Commission set forth in clause (i) hereof (all such matters in clauses (i) and (ii) being the "DISCLOSED MATTERS"), 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 8.01(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. 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 2002-2006 Projections of Consumers, Enterprises and the Borrower (the "PROJECTIONS"), copies of which have been distributed to the Banks in the Confidential Information Memorandum dated June 2002 (the "CONFIDENTIAL INFORMATION MEMORANDUM"), are based upon assumptions that the Borrower believed were reasonable at the

time the Projections were delivered, and all other financial information contained in the Confidential Information Memorandum or otherwise delivered by the Borrower to the Administrative Agent and the Banks on and after June 11, 2002 is true and correct in all material respects as at the dates and for the periods indicated therein.

(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) Borrower, each Guarantor and Consumers are exempt from the registration requirements of 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, the Borrower and its Subsidiaries, taken as a whole, are Solvent.

(v) Schedule II sets forth as of June 30, 2002 (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 VIII  
COVENANTS OF THE BORROWER

SECTION 8.01.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. The Borrower shall preserve and maintain, and each of its Restricted Subsidiaries and Consumers shall preserve and maintain, its corporate 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 (i) 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 and (ii) by or on behalf of the Administrative Agent, other than the first two visitations and inspections occurring during any calendar year or any visitations and inspections occurring at a time when a Default or Event of Default shall be continuing, shall be at the Administrative Agent's expense; all other such inspections and visitations shall be at the Borrower's expense.

(f) Keeping of Books. 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.

(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 8.02(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, to (ii) Consolidated EBITDA for such period, of not more than 5.75 to 1.00, commencing with the period ending June 30, 2002.

(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 (except that, with respect to each Measurement Quarter ending in 2002, such ratio shall be calculated for the period from January 1, 2002 through and including the last day of such Measurement Quarter), 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, plus (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 to (ii) interest expense (including commitment, guaranty and letter of credit fees) accrued by the Borrower in respect of all Debt during such period of not less than 1.25 to 1.00, commencing with the Measurement Quarter ending on June 30, 2002; 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 Commitments and the principal amount outstanding under this Agreement and the Promissory Notes and/or the "Commitments" and the principal amount outstanding under the Three Year Facility and the "Promissory Notes" (as such terms are defined in the Three Year Facility), 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 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.

(1) 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 corporate resolutions, opinions of counsel and such other corporate documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

SECTION 8.02. 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 other 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 of Consumers, Enterprises, CMS Oil and Gas Company and any of the Borrower's other 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 MS&T in respect of hedging arrangements and commodity purchases and sales (including any cash margins with respect thereto); provided that the aggregate amount of pledges or deposits securing such Support

Obligations and such obligations of MS&T shall not exceed \$125,000,000 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 Three Year Facility and the Enterprises Credit Agreement;

(v) Liens securing Off-Balance Sheet Liabilities (and all refinancings and recharacterizations thereof permitted under Section 8.02(b)(iv)) in an aggregate amount not to exceed \$725,000,000;

(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 \$10,000,000;

(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; and

(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.

(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 8.02(a)(iii);

(iii) debt arising under (a) the Loan Documents, (b) the "Loan Documents" as defined in the Three Year Facility, and (c) the "Loan Documents" as defined in the Enterprises Credit Agreement in a principal amount equal to \$150,000,00 minus any principal payments 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 8.02(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 June 30, 2002 as set forth on Schedule II), 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 8.02(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 obligations of the Borrower or any other Loan Party as in effect as of the Closing Date, (iii) investments by any Loan Party in the capital of any Subsidiary of the Borrower that is a Loan Party, (iv) investments in the capital stock of any of the Borrower's Subsidiaries arising from the conversion of intercompany indebtedness to equity, (v) loans and advances by any Loan Party to another Loan Party to the extent permitted under Section 8.02(b) (vi), (vi) investments constituting non-cash consideration received in connection with the sale of any asset permitted under Section 8.02(i), and (vii) additional loans, advances, purchases, contributions and other investments in an amount not to exceed \$150,000,000 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.

(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 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) 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 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"), unless (i) no Default or Event of Default has occurred and is continuing or would occur as a result of such Restricted Payment, (ii) after giving effect thereto, the aggregate amount of all such Restricted Payments made by the Borrower during any fiscal quarter shall not exceed an amount in the aggregate equal to \$0.1825 multiplied by the aggregate number of issued and outstanding shares of common stock of the Borrower (exclusive of any common stock held by the Borrower or any of its Subsidiaries, other than common stock held by Consumers and Enterprises as of the Closing Date) as of the record date for such fiscal quarter, and (iii) with respect to any Restricted Payment to be made on or after January 1, 2003, on or prior to December 31, 2002 the Borrower shall have received not less than \$250,000,000 of Net Proceeds from the issuance of equity or equity-linked securities of the Borrower and shall have applied such Net Proceeds in accordance with Section 2.03(c); provided, however, that the foregoing shall not prohibit (1) 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)), provided that such purchase or redemption shall be excluded from the calculation of the amount of Restricted Payments permitted by this subsection (e); (2) Restricted Payments made within 60 days after the date of declaration thereof if at such date of declaration such Restricted Payment would have complied with this subsection (e), provided that at the time of payment of such Restricted Payment, no Default or Event of Default shall have occurred and be continuing (or result therefrom), and provided further that such Restricted Payments shall be included (without duplication) in the calculation of the amount of Restricted Payments permitted by this subsection (e), and provided further that with respect to any Restricted Payment to be paid after December 31, 2002, the Borrower shall have received not less than \$250,000,000 of Net Proceeds from the issuance of equity or equity-linked securities of the Borrower and shall have applied such Net Proceeds in accordance with Section 2.03(c) on or prior to the date of declaration thereof; or (3) payments made by the Borrower or any other Loan Party pursuant to the Tax Sharing Agreement. For purposes of this subsection (e), the amount of any Restricted Payment not in the form of cash shall be the fair market value of such Restricted Payment as determined in good faith by the Board of Directors of the Borrower, provided that if the value of the non-cash portion of such Restricted Payment as determined by the Borrower's Board of Directors is in excess of \$25,000,000, such value shall be based on an opinion from a nationally-recognized firm acceptable to the Administrative Agent experienced in the appraisal of similar types of property or transactions.

(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 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 and such 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.

(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) any Loan Party may merge with or into any other Loan Party, provided that (a) in any such merger with or into the Borrower, (1) all of the obligations under the Enterprises Credit Agreement shall have been paid in full in cash and the Enterprises Credit Agreement shall have been terminated, and (2) the Borrower is the surviving corporation, (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, (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 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 Credit Agreement; provided, further, that neither the Borrower nor any of the other Loan Parties 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 and (ii) 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 8.02(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 8.02(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

(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.

(j) Maintenance of Ownership of Subsidiaries. Sell, transfer, assign or otherwise dispose of any shares of capital stock 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 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 the capital stock of any other Loan Party or any warrants, rights or options to acquire such capital stock, except to give effect to a transaction permitted by subsection (h) above and in connection with the foreclosure of any Liens permitted under Section 8.02(a)(iv); provided, however, that subject to the requirements of Section 2.03(c) (i) the Borrower may sell, transfer, assign or otherwise dispose of not more than 20% of the common stock of Consumers, provided that after giving effect to each such transaction the Borrower shall be in compliance with Section 8.01(i), (ii) the Borrower may sell, transfer, assign or otherwise dispose of not more than 20% of the common stock of Enterprises; provided, that after giving effect to each such transaction the Borrower shall be in compliance with Section 8.01(i), (iii) Enterprises may, and the Borrower may permit Enterprises to, sell, transfer, assign or otherwise dispose of not more than 49% of the common stock of any Enterprises Significant Subsidiary other than CMS Oil and Gas Company, provided that after giving effect to each such transaction the Borrower shall be in compliance with Section 8.01(i), and (iv) Enterprises and its Subsidiaries may, and the Borrower may permit Enterprises and its Subsidiaries to, sell, transfer, assign or otherwise dispose of all of the capital stock (or other equity interests) of CMS Oil and Gas Company and CMS Electric and Gas Company owned by Enterprises or any of its Subsidiaries, provided that after giving effect to such transaction the Borrower shall be in compliance with Section 8.01(i).

(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 each of the Three Year Facility and the Enterprises Credit Agreement), other than any payments on account of (i) any Debt when and as such payment was due 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, (ii) refinancings of Debt otherwise permitted under this Agreement, and (iii) any Debt owed to the Borrower or any of its Subsidiaries.

(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 (or comparable charter document) and by-laws 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 8.02(c)) in the aggregate in excess of \$725,000,000 at any time.

SECTION 8.03. 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, 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 8.01(i) and 8.01(j) and the ratio set forth in Section 9.01(i), (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, 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 8.01(i) and 8.01(j) and the ratio set forth in Section 9.01(i), (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, 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, 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 available, a copy of the report by a nationally-recognized independent public accounting firm on the consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2001, and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Subsidiaries for such fiscal year then ended;

(g) as soon as available, and in any event within ten (10) Business Days after the close of each calendar month, (i) month-end liquidity statements with respect to the Borrower and its consolidated Subsidiaries and (ii) updates to the monthly cash flow forecasts of the Borrower and its consolidated Subsidiaries, in each case in form and detail consistent with such statements and forecasts provided to the Lenders and the Agents prior to the Closing Date;

(h) 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;

(i) 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;

(j) 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;

(k) 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;

(l) 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 7.01(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 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;

(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 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

(o) 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), (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 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 IX DEFAULTS

SECTION 9.01. 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 9.02:

(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 8.01(c), (h), (i), (j) or (l) or in Section 8.02 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 Three Year Facility, 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 undismitted 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 VI, 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) 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.

(j) 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 9.02. 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 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 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 X  
THE AGENTS

SECTION 10.01. AUTHORIZATION AND ACTION.

(a) Each of the Lenders hereby irrevocably appoints each Agent (other than the Co-Syndication Agents and Documentation Agents) 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 11.01), 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 11.01 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 VI or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent. Neither any Co-Syndication Agent nor any Documentation Agent shall have any duties or obligations in such capacity under any of the Loan Documents.

(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 10.01 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 11.04 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 11.05) that it will not take any legal action, nor institute any actions or proceedings, against the Borrower or any other obligor hereunder 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 its portion of the Loans, or unilaterally terminate its Commitment except in accordance with Section 9.02.

SECTION 10.02. 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 Arrangers 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 11.04 but are not reimbursed for such expenses by the Borrower.

SECTION 10.03. 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; and/or

(iii) against any part of the Collateral consisting of a promissory note, upon payment in full of the Debt evidenced thereby.

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 10.03(b) promptly upon the effectiveness of any such release.

SECTION 10.04. RELEASE OF GUARANTORS. Upon the liquidation or dissolution of any Guarantor, or sale of all of the capital stock 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, 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 XI  
MISCELLANEOUS

SECTION 11.01. 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 VI, (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(c)), (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(c)), (v) change the definition of "Required Lenders" contained in Section 11.01 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 any Loan Document in a manner intended to prefer one or more Lenders over any other Lenders, (vii) amend, waive or modify Section 2.03(b) or this Section 11.01, (viii) release the Collateral Agent's Lien on all or a substantial portion of the Collateral (except as provided in Section 10.03(b)), (ix) extend the Termination Date, or (x) amend, waive or modify Section 8.02(e) to increase the amount of Restricted Payments permitted to be paid by the Borrower thereunder or to extend any date set forth therein; 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 11.01 shall be addressed to the Administrative Agent.

SECTION 11.02. 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 its Domestic Lending Office specified opposite its name on Schedule I; (iii) if to any Lender other than a Bank, at its Domestic Lending Office specified in the Lender Assignment pursuant to which it became a Lender; (iv) if to the Administrative Agent, at its address at 222 Broadway, New York, New York 10038, Attn: Jeff Pannullo, Customer Service Unit, Telephone No. (212) 412-3724, Telecopy No. (212) 412-5306, with a copy to such party at 222 Broadway, New York, New York 10038, Attn: Sydney G. Dennis, Power and Utilities Group, Telephone No. (212) 412-2470, Telecopy No. (212) 412-7511; (v) if 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 X shall not be effective until received by such Agent.

SECTION 11.03. 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 11.04. COSTS, EXPENSES AND INDEMNIFICATION.

(a) The Borrower agrees to (i) reimburse on demand all reasonable costs and expenses of each Agent and the Arrangers (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 9.02 or an Event of Default specified in Section 9.01(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 Arrangers, 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 11.04 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 11.04 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 11.05. 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 9.02 to authorize the Administrative Agent to declare the principal amount outstanding hereunder to be due and payable pursuant to the provisions of Section 9.02, 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 11.05 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 11.06. 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 11.07. ASSIGNMENTS AND PARTICIPATION.

(a) Each Lender may, with the consent of the Borrower and the Administrative Agent (such consent not to be unreasonably withheld or delayed and, in the case of the Borrower, shall not be required if an Event of Default has occurred and is continuing), assign to one or more banks or other entities all or a portion of its rights and obligations under

this Agreement and the other Loan Documents (including all or a portion of its Commitment, the Loans owing to it and any Promissory Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations under this Agreement, (ii) the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Lender Assignment with respect to such assignment) shall in no event be less than the lesser of the amount of such Lender's Commitment and \$5,000,000 and shall be an integral multiple of \$1,000,000, (iii) each such assignment shall be to an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, a Lender Assignment, together with any Promissory Notes subject to such assignment, an Administrative Questionnaire and a processing and recordation fee of \$3,500 and (v) after giving effect to such assignment, the amount of the Commitment of the assigning Lender shall be not less than \$5,000,000 or such lesser amount as may be agreed to by the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower; and provided further, however, that the consent of the Borrower and the Administrative Agent shall not be required for any assignments by a Lender to any of its Affiliates or to any other Lender or any of its Affiliates. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Lender Assignment, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Lender Assignment, have the rights and obligations of a Lender hereunder and (B) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it to an Eligible Assignee pursuant to such Lender Assignment, relinquish its rights and be released from its obligations under this Agreement (and, in the case of a Lender Assignment covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto); provided, however, that the limitation set forth in clause (iv), above, shall not apply if an Event of Default shall have occurred and be continuing and the Administrative Agent shall have declared all Loans to be, or all Loans shall have automatically become, immediately due and payable hereunder. The Administrative Agent agrees to give prompt notice to the Lenders and the Borrower of any assignment or participation of its rights and obligations as a Bank hereunder. Notwithstanding anything to the contrary contained in this Agreement, any Lender may at any time assign all or any portion of the Loans owing to it to any Affiliate of such Lender. The assigning Lender shall promptly notify the Borrower of any such assignment. No such assignment, other than to an Eligible Assignee, shall release the assigning Lender from its obligations hereunder.

(b) By executing and delivering a Lender Assignment, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Lender Assignment, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant thereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under any Loan Document or any other instrument or document furnished

pursuant thereto; (iii) such assignee confirms that it has received a copy of each Loan Document, together with copies of the financial statements referred to in Section 7.01(e) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Lender Assignment; (iv) such assignee will, independently and without reliance upon the Agents, such assigning Lender or any other Lender 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; (v) such assignee confirms that it is an Eligible Assignee (unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have declared all Loans to be immediately due and payable hereunder, in which case no such confirmation is necessary); (vi) such assignee appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to each Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that 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 Lender.

(c) The Administrative Agent shall maintain at its address referred to in Section 11.02 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.

(d) Upon its receipt of a Lender Assignment executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), any Promissory Notes subject to such assignment, the processing and recordation fee referred to in subsection (a) above and any written consent to such assignment required by subsection (a) above, the Administrative Agent shall, if such Lender Assignment has been completed and is in substantially the form of Exhibit F, (i) accept such Lender Assignment, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. New and/or replacement Promissory Notes payable to the assignee and the assigning Lender (if the assigning Lender assigned less than all of its rights and obligations hereunder) shall be issued upon request pursuant to Section 3.01(d), and shall be dated the effective date of such Lender Assignment.

(e) Each Lender may sell participations to one or more banks or other entities (a "PARTICIPANT") in or to all or a portion of its rights and/or obligations under the Loan Documents (including all or a portion of its Commitment, the Loans owing to it and any Promissory Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including 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 any such Promissory Notes for all purposes of this Agreement, and (iv) the Borrower, the Agents and the other Lenders shall

continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and the other Loan Documents and to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided, that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.01 that affects such Participant. Subject to subsection (f) below, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 5.04 and 5.06 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (a) above. To the extent permitted by law, each Participant shall also be entitled to the benefits of Section 11.05(a) as though it were a Lender, provided such Participant agrees to be subject to Section 5.05 as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 5.04 or 5.06 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 5.06 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 5.06(e) as though it were a Lender.

(g) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 11.07, disclose to the assignee or Participant or proposed assignee 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, the assignee or Participant or proposed assignee or Participant shall agree, in accordance with the terms of Section 11.08, to preserve the confidentiality of any Confidential Information received by it from such Lender.

(h) If any Lender (or any Participant to which such Lender has sold a participation) shall make any demand for payment under Section 5.04(a) or (c), then in the case of any such demand, within 30 days after any such demand (if, but only if, such demanded payment has been made by the Borrower) or notice, the Borrower may, with the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and provided that no Event of Default or Default shall then have occurred and be continuing, demand that such Lender assign, at the sole cost and expense of the Borrower, in accordance with this Section 11.07 to one or more Eligible Assignees designated by the Borrower, all (but not less than all) of such Lender's Commitment and the Loans owing to it within the period ending on the later to occur of (x) the last day in the period described above, as applicable, and (y) the last day of the longest of the then current Interest Periods for such Loans. If any such Eligible Assignee designated by the Borrower shall fail to consummate such assignment on terms acceptable to such Lender, or if the Borrower shall fail to designate any such Eligible Assignees for all or part of such Lender's Commitment or Loans, then such demand by the Borrower shall become ineffective; it being understood for purposes of this subsection (h) that such assignment shall be conclusively deemed to be on terms acceptable to such Lender, and such Lender shall be compelled to consummate such assignment to an Eligible Assignee designated by the Borrower, if such Eligible Assignee

(1) shall agree to such assignment by entering into a Lender Assignment with such Lender and (2) shall offer compensation to such Lender in an amount equal to all amounts then owing by the Borrower to such Lender hereunder and under any Promissory Notes made by the Borrower to such Lender, whether for principal, interest, fees, costs or expenses (other than the demanded payment referred to above, and payable by the Borrower as a condition to the Borrower's right to demand such assignment) or otherwise (including, without limitation, to the extent not paid by the Borrower, any payments required pursuant to Section 5.04(b)). In addition, in the case of any amount demanded for payment by any Lender (or such Participant) pursuant to Section 5.04(a) or (c), the Borrower may, in the case of any such Lender, with the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and provided that no Event of Default or Default shall then have occurred and be continuing, terminate all (but not less than all) such Lender's Commitment and prepay all (but not less than all) such Lender's Loans not so assigned, together with all interest accrued thereon to the date of such prepayment and all fees, costs and expenses and other amounts then owing by the Borrower to such Lender hereunder and under any Promissory Notes made by the Borrower to such Lender, at any time from and after such later occurring day in accordance with Sections 2.03 and 5.03 (but without the requirement stated therein for ratable treatment of the other Lenders), if and only if, after giving effect to such termination and prepayment, the sum of the aggregate principal amount of the Loans of all Lenders then outstanding does not exceed the then remaining Commitments of the Lenders. Notwithstanding anything set forth above in this subsection (h) to the contrary, the Borrower shall not be entitled to compel the assignment by any Lender demanding payment under Section 5.04(a) of its Commitment and Loans or terminate and prepay the Commitment and Loans of such Lender if, prior to or promptly following any such demand by the Borrower, such Lender shall have changed or shall change, as the case may be, its Applicable Lending Office for its Eurodollar Rate Loans so as to eliminate the further incurrence of such increased cost. In furtherance of the foregoing, any such Lender demanding payment or giving notice as provided above agrees to use reasonable efforts to so change its Applicable Lending Office if, to do so, would not result in the incurrence by such Lender of additional costs or expenses which it deems material or, in the sole judgment of such Lender, be inadvisable for regulatory, competitive or internal management reasons.

(i) Anything in this Section 11.07 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of its Commitment and the Loans owing to it to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

SECTION 11.08. 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 11.08. 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.

SECTION 11.09. 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 11.10. 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 11.11. 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 11.12. 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 11.13. 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.

[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/ Alan M. Wright

-----  
Name: Alan M. Wright  
Title: Executive Vice President  
Chief Financial Officer &  
Chief Administrative Officer

Signature Page to \$295,800,000 Amended and Restated Credit Agreement

BARCLAYS BANK PLC, individually as a Lender and  
as Administrative Agent

By: /s/ Sidney G. Dennis

-----  
Name: Sidney G. Dennis  
Title: Director

(The signature pages for the remaining 20 banks are not attached.)

Signature Page to \$295,800,000 Amended and Restated Credit Agreement

COMMITMENT SCHEDULE

LENDER	COMMITMENT
BARCLAYS BANK PLC	\$23,466,800
BANK OF AMERICA, N.A.	\$22,678,000
JPMORGAN CHASE BANK	\$22,678,000
CITICORP USA, INC.	\$22,678,000
UNION BANK OF CALIFORNIA, N.A.	\$22,678,000
BNP PARIBAS	\$18,734,000
BANK ONE, NA	\$15,578,800
COMERICA BANK	\$15,578,800
CREDIT SUISSE FIRST BOSTON, CAYMAN ISLANDS BRANCH	\$15,578,800
FLEET NATIONAL BANK	\$15,578,800
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	\$9,860,000
DEUTSCHE BANK TRUST COMPANY AMERICAS (formerly known as BANKERS TRUST COMPANY)	\$9,860,000
CIBC INC.	\$9,860,000
STANDARD FEDERAL BANK N.A. (formerly known as Michigan National Bank)	\$9,860,000

LENDER	COMMITMENT
THE ROYAL BANK OF SCOTLAND PLC	\$9,860,000
SOCIETE GENERALE -- NY	\$9,860,000
SUMITOMO MITSUI BANKING CORPORATION	\$9,860,000
THE BANK OF NOVA SCOTIA	\$9,860,000
TORONTO DOMINION (TEXAS), INC.	\$9,860,000
ARAB BANKING CORPORATION	\$5,916,000
MIZUHO CORPORATE BANK, LTD. (formerly known as THE FUJI BANK, LIMITED)	\$5,916,000
Total Commitments:	\$295,800,000

SCHEDULE III

Pledged Capital Stock

-----

GRANTOR	PLEGDED SUBSIDIARIES
-----	-----
CMS Energy Corporation	CMS Enterprises Company (100%)
CMS Enterprises Company	CMS Generation Co. (100%)
	CMS Gas Transmission Company (100%)
	CMS Capital, L.L.C. (100%)
	CMS Electric and Gas Company (100%)
	CMS Oil and Gas Company (100%)
	CMS Marketing, Services and Trading Company (100%)
	CMS International Ventures, L.L.C. (66.7%)
CMS Generation Co.	CMS International Ventures, L.L.C. (33.3%)
	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 Field Services, Inc. (100%)
	Panhandle Eastern Pipe Line Company (100%)
CMS Field Services, Inc.	CMS Gas Processing, L.L.C. (100%)
	CMS Natural Gas Gathering, L.L.C. (100%)

-----  
\$300,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of July 12, 2002,

Among

CMS ENERGY CORPORATION  
as Borrower

and

THE BANKS NAMED HEREIN  
as Banks

and

BARCLAYS BANK PLC  
as Administrative Agent  
and

CITICORP USA, INC.  
as Collateral Agent  
and

BANK OF AMERICA, N.A.  
and

JPMORGAN CHASE BANK  
as Co-Syndication Agents  
and

UNION BANK OF CALIFORNIA, N.A.  
and

CITICORP USA, INC.  
as Documentation Agents

-----  
SALOMON SMITH BARNEY INC.  
as Book Manager

SALOMON SMITH BARNEY INC. AND BARCLAYS CAPITAL  
as Joint Lead Arrangers  
-----

TABLE OF CONTENTS

SECTION	PAGE
ARTICLE I DEFINITIONS AND ACCOUNTING TERMS	
SECTION 1.01.	Certain Defined Terms.....1
SECTION 1.02.	Computation of Time Periods; Construction.....20
SECTION 1.03.	Accounting Terms.....21
ARTICLE II COMMITMENTS	
SECTION 2.01.	The Commitments.....21
SECTION 2.02.	Fees.....22
SECTION 2.03.	Reduction of the Commitments; Mandatory Prepayments.....22
SECTION 2.04.	Computations of Outstandings.....24
ARTICLE III LOANS	
SECTION 3.01.	Loans.....24
SECTION 3.02.	Conversion of Loans.....25
SECTION 3.03.	Interest Periods.....26
SECTION 3.04.	Other Terms Relating to the Making and Conversion of Loans.....26
SECTION 3.05.	Repayment of Loans; Interest.....28
ARTICLE IV LETTERS OF CREDIT	
SECTION 4.01.	Issuing Banks.....29
SECTION 4.02.	Letters of Credit.....29
SECTION 4.03.	Issuing Bank Fees.....30
SECTION 4.04.	Reimbursement to Issuing Banks.....31
SECTION 4.05.	Obligations Absolute.....32
SECTION 4.06.	Liability of Issuing Banks and the Lenders.....32
SECTION 4.07.	Currency Equivalents.....33
SECTION 4.08.	Judgement Currency.....33
ARTICLE V PAYMENTS, COMPUTATIONS AND YIELD PROTECTION	
SECTION 5.01.	Payments and Computations.....34
SECTION 5.02.	Interest Rate Determination.....35
SECTION 5.03.	Prepayments.....36
SECTION 5.04.	Yield Protection.....37

TABLE OF CONTENTS (CONT'D)

SECTION	PAGE
SECTION 5.05. Sharing of Payments, Etc.....	38
SECTION 5.06. Taxes.....	39
SECTION 5.07. Apportionment of Payments.....	40
SECTION 5.08. Proceeds of Collateral.....	42
ARTICLE VI CONDITIONS PRECEDENT	
SECTION 6.01. Conditions Precedent to the Effectiveness of this Agreement.....	42
SECTION 6.02. Conditions Precedent to Each Extension of Credit.....	44
SECTION 6.03. Conditions Precedent to Certain Extensions of Credit.....	45
SECTION 6.04. Reliance on Certificates.....	45
SECTION 6.05. Condition Precedent to the Initial Extension of Credit.....	45
ARTICLE VII REPRESENTATIONS AND WARRANTIES	
SECTION 7.01. Representations and Warranties of the Borrower.....	46
ARTICLE VIII COVENANTS OF THE BORROWER	
SECTION 8.01. Affirmative Covenants.....	49
SECTION 8.02. Negative Covenants.....	52
SECTION 8.03. Reporting Obligations.....	59
ARTICLE IX DEFAULTS	
SECTION 9.01. Events of Default.....	62
SECTION 9.02. Remedies.....	65
ARTICLE X THE AGENTS	
SECTION 10.01. Authorization and Action.....	65
SECTION 10.02. Indemnification.....	67
SECTION 10.03. Concerning the Collateral and the Loan Documents.....	67
SECTION 10.04. Release of Guarantors.....	69
ARTICLE XI MISCELLANEOUS	
SECTION 11.01. Amendments, Etc.....	69
SECTION 11.02. Notices, Etc.....	70
SECTION 11.03. No Waiver of Remedies.....	70

TABLE OF CONTENTS (CONT'D)

SECTION	PAGE
SECTION 11.04. Costs, Expenses and Indemnification.....	70
SECTION 11.05. Right of Set-off.....	71
SECTION 11.06. Binding Effect.....	72
SECTION 11.07. Assignments and Participation.....	72
SECTION 11.08. Confidentiality.....	76
SECTION 11.09. Waiver of Jury Trial.....	76
SECTION 11.10. GOVERNING LAW; SUBMISSION TO JURISDICTION.....	77
SECTION 11.11. Relation of the Parties; No Beneficiary.....	77
SECTION 11.12. Execution in Counterparts.....	77
SECTION 11.13. Survival of Agreement.....	78

Exhibits  
- -----

- EXHIBIT A - Form of Notice of Borrowing
- EXHIBIT B - Form of Notice of Conversion
- EXHIBIT C - Form of Opinion of Michael D. VanHemert, Esq., counsel to the Borrower
- EXHIBIT D-1 - Form of Opinion of Hughes Hubbard & Reed LLP, special counsel to the Borrower
- EXHIBIT D-2 - 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
- EXHIBIT J - Form of Cash Collateral Agreement
- EXHIBIT K - Form of Pledge and Security Agreement (Borrower)
- EXHIBIT L - Form of Pledge and Security Agreement (Grantors)

Schedules  
- -----

- COMMITMENT
- SCHEDULE I
- SCHEDULE II
- SCHEDULE III

Applicable Lending Offices  
Certain Debt  
Pledged Capital Stock

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of July 12, 2002

THIS 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,
- (iii) Barclays Bank PLC ("BARCLAYS"), as administrative agent (the "ADMINISTRATIVE AGENT") for the Lenders hereunder,
- (iv) Citicorp USA, Inc. ("CUSA"), as collateral agent (the "COLLATERAL AGENT") for the Lenders hereunder, and
- (v) Bank of America, N.A. and JPMorgan Chase Bank, as co-syndication agents (the "CO-SYNDICATION AGENTS"), and Union Bank of California, N.A. and CUSA, as documentation agents (the "DOCUMENTATION AGENTS").

PRELIMINARY STATEMENTS

The Borrower has requested the Banks to amend and restate the Existing Credit Agreement (as hereinafter defined) 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, the Collateral Agent, any Co-Syndication Agent or any Documentation Agent, and "AGENTS" means any or all of the foregoing.

"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 and (b) 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 or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ALTERNATIVE CURRENCY" means Canadian Dollars and euro.

"APPLICABLE LENDING OFFICE" means, with respect to each Lender, (i) such Lender's Domestic Lending Office, in the case of an ABR Loan, and (ii) such Lender's Eurodollar Lending Office, in the case of a Eurodollar Rate Loan.

"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:

-----	-----
ABR Loans	2.00%
-----	-----
Eurodollar Rate Loans	3.00%
-----	-----

"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.

"ARRANGERS" means Salomon Smith Barney Inc. and Barclays Capital.

"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.

"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.

"CANADIAN DOLLARS" means the lawful currency of Canada.

"CASH COLLATERAL AGREEMENT" means the Cash Collateral Agreement, dated as of July 12, 2002, between the Borrower and the Administrative Agent, for the benefit of the Lenders, substantially in the form of Exhibit J.

"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.

"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.

"CLOSING DATE" means July 12, 2002.

"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, including, without limitation, all "Collateral" under (and as defined in) the Cash Collateral Agreement.

"COMMITMENT" means, for each Lender, the obligation of such Lender to make Loans to the Borrower and to participate in Extensions of Credit resulting from the issuance (or extension, modification or amendment) of any Letter of Credit 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 11.07(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. The Commitments shall in no event exceed \$300,000,000.

"COMMITMENT FEE MARGIN" means a per annum rate equal to 0.50%.

"COMMITMENT SCHEDULE" means the Schedule identifying each Lender's Commitment as of the Closing Date attached hereto and identified as such.

"CONFIDENTIAL INFORMATION" has the meaning assigned to that term in Section 11.08.

"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 Arrangers 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, its Subsidiaries or PremStar Energy Canada Ltd. ("PREMSTAR") 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, any of its Subsidiary's or PremStar's obligations under any such purchase or sale transaction (a "COVERING TRANSACTION") entered into by MS&T, any of its Subsidiaries or PremStar 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, any of its Subsidiaries or PremStar in support of such Counterparty's payment obligations to MS&T, such Subsidiary or PremStar 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" is defined in Section 6.05.

"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.

"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, (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 8.01(j)(ii), Debt shall not include any Junior Subordinated Debt issued by the Borrower and owned by any Hybrid Preferred Securities Subsidiary.

"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) and (ii) of Section 2.03(c).

"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.

"DOLLAR EQUIVALENT" means, as to Dollars, the amount thereof, and as to any Alternative Currency, the Dollar equivalent of such Alternative Currency as determined by the Administrative Agent in accordance with the provisions of Section 4.07.

"DOMESTIC LENDING OFFICE" means, with respect to any Lender, the office or affiliate of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Lender Assignment pursuant to which it became a Lender, or such other office or affiliate of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"ELIGIBLE ASSIGNEE" means (a) a commercial bank or trust company organized under the laws of the United States, or any State thereof; (b) a commercial bank organized under the laws of any other country that is a member of the OECD, or a political subdivision of any such country, provided that such bank is acting through a branch or agency located in the United States; (c) the central bank of any country that is a member of the OECD; and (d) any other commercial bank or other financial institution engaged generally in the business of extending credit or purchasing debt instruments; provided, however, that (A) any such Person shall also (i) have outstanding unsecured indebtedness that is rated A- or better by S&P or A3 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 indebtedness of entities engaged in such businesses) or (ii) have combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than \$250,000,000 (or its equivalent in foreign currency), (B) any Person described in clause (b), (c), or (d) above, shall, on the date on which it is to become a Lender hereunder, (1) be entitled to receive payments hereunder without deduction or withholding of any United States Federal income taxes (as contemplated by Section 5.06) and (2) not be incurring any losses, costs or expenses of the type for which such Person could demand payment under Section 5.04(a) or (c) (except to the extent that, in the absence of the making of an assignment to such Person, the assigning Lender would have incurred an equal or greater amount of such losses, costs or expenses and such losses, costs or expenses would have been payable by the Borrower to such assigning Lender hereunder), (C) any Person described in clauses (a), (b), (c) and (d) above, which is not a Lender shall, in addition, be acceptable to any Issuing Bank based upon their then existing credit criteria and (D) any Person described in clause (d) above shall, in addition, be acceptable to the Administrative Agent (which acceptance shall not be unreasonably withheld or delayed).

"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 Credit Agreement, dated as of July 12, 2002, by and among Enterprises, as borrower, the lenders from time to time parties thereto, and Citicorp USA, Inc., as administrative agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"ENTERPRISES SIGNIFICANT SUBSIDIARY" means CMS Oil and Gas Company, 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 "commonly controlled entity" within the meaning of the regulations under Section 414 of the Internal Revenue Code of 1986, as amended.

"EURO" means the euro referred to in Council Regulation (EC) No. 1103/97 dated June 17, 1997 passed by the Council of the European Union, or if different, the lawful currency of the member states of the European Union that participate in the third stage of the Economic and Monetary Union.

"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 LENDING OFFICE" means, with respect to any Lender, the office or affiliate of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Lender Assignment pursuant to which it became a Lender (or, if no such office or affiliate is specified, its Domestic Lending Office), or such other office or affiliate of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"EURODOLLAR RATE LOAN" means a Loan that bears interest as provided in Section 3.05(b)(ii).

"EVENT OF DEFAULT" is defined in Section 9.01.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXISTING CREDIT AGREEMENT" means the \$300,000,000 Credit Agreement, dated as of June 18, 2001, among the Borrower, the lenders party thereto, Barclays Bank PLC, as administrative agent and collateral agent, Bank of America, N.A. and The Chase Manhattan Bank, as co-syndication agents, and Citibank, N.A. and Union Bank of California, as documentation agents, as the same may have been amended, restated, supplemented or otherwise modified from time to time.

"EXTENSION OF CREDIT" means (i) the making of a Borrowing (including any Conversion), (ii) the issuance of a Letter of Credit, or (iii) the amendment of any Letter of Credit having the effect of extending the stated termination date thereof, increasing the LC Outstandings thereunder, or otherwise altering any of the material terms or conditions thereof.

"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 8.01(1).

"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 and Gas Company, a Michigan corporation, CMS Oil and Gas Company, a Michigan corporation, 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, and CMS Natural Gas Gathering, L.L.C., an Oklahoma limited liability company.

"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 8.01(1).

"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 11.04(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.

"INTEREST PERIOD" is defined in Section 3.03.

"ISSUING BANK" means any Lender designated by the Borrower in accordance with Section 4.01(a) as the issuer of a Letter of Credit pursuant to an Issuing Bank Agreement. As of the date hereof, the Borrower has designated Barclays as an Issuing Bank, and the Administrative Agent has accepted such designee pursuant to Section 4.01.

"ISSUING BANK AGREEMENT" means an agreement between an Issuing Bank and the Borrower, in form and substance satisfactory to the Administrative Agent, providing for the issuance of one or more Letters of Credit, in form and substance satisfactory to the Administrative Agent, in support of a general corporate activity of the Borrower.

"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.

"LC PAYMENT NOTICE" is defined in Section 4.04(b).

"LC OUTSTANDINGS" means, for any Letter of Credit on any date of determination, the maximum amount available to be drawn under such Letter of Credit (assuming the satisfaction of all conditions for drawing enumerated therein) plus any amount which has been drawn on such Letter of Credit which has neither been reimbursed by the Borrower nor converted into an ABR Loan pursuant to the terms of Section 4.04.

"LENDER ASSIGNMENT" means an assignment and agreement entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit F.

"LENDERS" means the Banks listed on the signature pages hereof, each Eligible Assignee that shall become a party hereto pursuant to Section 11.07 and, if and to the extent so provided in Section 4.04(c), each Issuing Bank.

"LETTER OF CREDIT" means a letter of credit issued by an Issuing Bank pursuant to Section 4.02, as such letter of credit may from time to time be amended, modified or extended in accordance with the terms of this Agreement and the Issuing Bank Agreement to which it relates.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, 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 8.02(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 Cash Collateral Agreement, the Fee Letter, the Issuing Bank Agreement(s), 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 6.01(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.

"MEASUREMENT QUARTER" is defined in Section 8.01(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 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.

"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.

"NOTICE OF BORROWING" is defined in Section 3.01(a).

"NOTICE OF CONVERSION" is defined in Section 3.02.

"OBLIGATIONS" means all unpaid principal of and accrued and unpaid interest on the Loans, all reimbursement obligations under Section 4.04(a), 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 Arrangers, the Issuing Banks, 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 11.07(e).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor entity) established under ERISA.

"PERCENTAGE" means, for any Lender on any date of determination, 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%. In the event that the Commitments have been terminated, each Lender's Percentage shall be calculated on the basis of the Commitments in effect immediately prior to such termination.

"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); and

(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).

"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 (other than a Multiemployer Plan) maintained for employees of such Person or any ERISA Affiliate of such Person and covered by Title IV of ERISA.

"PLAN TERMINATION EVENT" means, with respect to any Person, (i) 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 (ii) the withdrawal of such Person 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 (iii) the filing of a notice of intent to terminate a Plan or the treatment 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.

"PLEDGE AGREEMENTS" means each of (i) that certain Pledge and Security Agreement, dated as of July 12, 2002, 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 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 III 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.

"PRIME RATE" means the rate of interest per annum publicly announced from time to time by Barclays as its prime 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(d); and "PROMISSORY NOTES" means any or all of the foregoing.

"RECIPIENT" is defined in Section 11.08.

"REGISTER" is defined in Section 11.07(c).

"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.

"REQUEST FOR ISSUANCE" is defined in Section 4.02(a).

"REQUIRED LENDERS" means, on any date of determination, Lenders that, collectively, on such date (i) hold at least 51% 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 at least 51%. 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.

"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 stranded costs.

"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, (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.

"TERMINATION DATE" means the earlier to occur of (i) December 15, 2003 and (ii) the date of termination or reduction in whole of the Commitments pursuant to Section 2.03 or 9.02.

"364 DAY FACILITY" means that certain \$295,800,000 Amended and Restated Credit Agreement dated as of July 12, 2002, by and among the Borrower, the Banks and the Agents, as the same may amended, restated, supplemented or otherwise modified from time to time.

"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 7.01(e) ("GAAP"). 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 Arrangers 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 8.03 shall be prepared in accordance with generally accepted accounting principles in effect at such time.

## ARTICLE II COMMITMENTS

SECTION 2.01. THE COMMITMENTS. Each Lender severally agrees, on the terms and conditions hereinafter set forth to make Loans to the Borrower and to participate in the issuance of Letters of Credit (and the LC Outstandings thereunder) during the period from the Closing

Date until the 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 or reduce or cancel Letters of Credit, and use the resulting increase in the Available Commitments for further Extensions of Credit in accordance with the terms hereof.

#### 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 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 January, April, July and October, commencing the first such date to occur following the Closing Date, and on the Termination Date.

(b) On June 17, 2003, the Borrower shall pay to the Administrative Agent, for the account of each Lender, an incentive fee equal to 0.50% multiplied by each such Lenders' Commitment as of such date.

(c) The Borrower agrees to pay to the Administrative Agent, for the account of each Lender, a commission on the average daily aggregate amount of the LC Outstandings from the Closing Date until the Termination Date at a rate per annum equal to the Applicable Margin with respect to Eurodollar Rate Loans, payable quarterly in arrears on the last day of each January, April, July and October, commencing on the first such date to occur following the Closing Date, and on the Termination Date.

(d) In addition to the fees provided for in subsections (a), (b) and (c) above, the Borrower shall pay to the Administrative Agent, for the account of Barclays and the other Persons entitled thereto, such other fees as are provided for in that certain letter agreement, dated July 12, 2002 among the Borrower, the Arrangers and Barclays (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) From and after the date that all of the obligations under the Enterprises Credit Agreement and the 364 Day Facility shall have been paid in full in cash and the Enterprises Credit Agreement and the 364 Day Facility 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 (exclusive of any proceeds applied to mandatory prepayments under the Enterprises Credit Agreement and/or the 364 Day Facility) in excess of \$100,000,000 from the sale, assignment or other disposition of (but not the lease or license of) any property identified to the Lenders in the Borrower's Confidential Information Memorandum dated June 2002, including, without limitation, any sale of capital stock or other equity interest in any of the Borrower's direct or indirect Subsidiaries identified therein (the "IDENTIFIED TRANSACTIONS"), in an amount, when combined with the Net Proceeds of all other such Identified Transactions since the Closing Date that have not been applied to the prepayment of the Obligations in accordance with this clause (i), in excess of \$5,000,000, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to fifty percent (50%) of such aggregate Net Proceeds, provided that such amount shall exclude Net Proceeds arising from any sale, assignment or other disposition of property by Consumers or any Subsidiary of Consumers; and

(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 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, other than in respect of the Identified Transactions, 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 (ii), in excess of \$5,000,000, the Borrower shall make or cause to be made a mandatory prepayment of the Obligations in an amount equal to fifty percent (50%) 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 and (B) any sale or other disposition by the Borrower or any of its Subsidiaries in the ordinary course of business consistent with past practice.

Nothing in this Section 2.03(c) shall be construed to constitute the Lenders' consent to any transaction referenced in clauses (i) and (ii) above which is not expressly permitted by Article VIII. 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 Payment 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 sum of (i) the aggregate principal amount of all Loans outstanding on such date under this Agreement plus (ii) the aggregate LC Outstandings of all Letters of Credit outstanding on such date, in each case 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 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 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 222 Broadway, 11th Floor, New York, New York 10038, 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 VI, 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) If and to the extent that any Lender (a "NON-PERFORMING LENDER") shall not have made available to the Administrative Agent, in accordance with subsection (b) above, such Lender's Percentage of any Borrowing, the non-performing Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand corresponding amounts, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Loans made in connection with such Borrowing and (ii) in the case of such Lender, the Federal Funds Effective Rate. Within the limits of each Lender's Available Commitment and subject to the other terms and conditions set forth in this Agreement for the making of Loans (including Section 8.01(h)), the Borrower may request (and the Lenders shall honor) one or more additional Borrowings from the performing Lenders to fund such repayment to the Administrative Agent. If a non-performing Lender shall repay to the Administrative Agent such corresponding amount in full (with interest as above provided), (x) the Administrative Agent shall apply such corresponding amount and interest to the repayment to the Administrative Agent (or repayment of Loans made to fund such repayment to the Administrative Agent), and shall make any remainder available to the Borrower and (y) such amount so repaid shall be deemed to constitute such Lender's Loan, made as part of such Borrowing for purposes of this Agreement as if funded concurrently with the other Loans made as part of such Borrowing, and such Lender shall forthwith cease to be deemed a non-performing Lender; if and so long as such non-performing Lender shall not repay such amount, and unless and until an Eligible Assignee shall have assumed and performed the obligations of such non-performing Lender, all computations by the Administrative Agent of Percentages, Commitments and payments hereunder shall be made without regard to the Commitment, or outstanding Loans, of such non-performing Lender, and any amounts paid to the Administrative Agent for the account of such non-performing Lender shall be held by the Administrative Agent in trust for such non-performing Lender in a non-interest-bearing special purpose account. Nothing herein shall in any way limit, waive or otherwise reduce any claims that any party hereto may have against any non-performing Lender. The failure of any Lender to make the Loan to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on the date of any Borrowing.

(d) 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 11.07) 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 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 (i) all Borrowings comprising Eurodollar Rate Loans outstanding hereunder and (ii) all "Borrowings" comprising "Eurodollar Rate

Loans" under, and as such terms are defined in, the 364 Day Facility, be greater than fifteen (15);

(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 5.04(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 to an Eligible Assignee), 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), or shall become a non-performing Lender under Section 3.01(c) or Section 4.04(c), and if and so long as such Lender shall not have withdrawn such notice or corrected such non-performance in accordance with said Section 3.04(b), Section 3.01(c) or Section 4.04(c), the Borrower or the Administrative Agent may demand that such Lender assign in accordance with Section 11.07, to one or more Eligible Assignees designated by the Borrower or the Administrative Agent, 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 Eligible Assignee 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 Eligible Assignee, 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 Eligible Assignee (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 5.04(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 VI, 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 January, April, July and October, 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 LETTERS OF CREDIT

SECTION 4.01. ISSUING BANKS. Subject to the terms and conditions hereof, the Borrower may from time to time identify and arrange for one or more Lenders to act as Issuing Banks hereunder. Any such designation by the Borrower shall be notified to the Administrative Agent at least three (3) Business Days prior to the first date upon which the Borrower proposes that such Issuing Bank issue its first Letter of Credit. Nothing contained herein shall be deemed to require any Lender to agree to act as an Issuing Bank, if it does not so desire.

#### SECTION 4.02. LETTERS OF CREDIT.

(a) Each Letter of Credit shall be issued (or the stated maturity thereof extended or terms thereof modified or amended) on not less than three (3) Business Days' prior written notice thereof to the Administrative Agent (which shall promptly distribute copies thereof to the Lenders) and the relevant Issuing Bank and shall be denominated in Dollars or in an Alternative Currency. Each such notice (a "REQUEST FOR ISSUANCE") shall specify (i) the date (which shall be a Business Day) of issuance of such Letter of Credit (or the date of effectiveness of such extension, modification or amendment) and the stated expiry date thereof (which shall be no later than the earlier of the date that is five (5) Business Days prior to the Termination Date, and the date which is one year after the requested date of issuance, provided that any Letter of Credit with a one year tenor may provide for the renewal thereof for additional periods of up to one year which shall in no event extend beyond the date which is five (5) Business Days prior to the Termination Date), (ii) the proposed stated amount of such Letter of Credit (which shall not be less than \$500,000 (or the Dollar Equivalent thereof in an Alternative Currency) unless

otherwise agreed by the applicable Issuing Bank) and whether such Letter of Credit is denominated in Dollars, Canadian Dollars or euro and (iii) such other information as shall demonstrate compliance of such Letter of Credit with the requirements specified therefor in this Agreement and the relevant Issuing Bank Agreement; provided that, notwithstanding that a letter of credit issued pursuant to the Existing Credit Agreement shall have a stated expiry date after the Termination Date, each letter of credit issued thereunder shall be deemed to be a Letter of Credit hereunder (but no such Letter of Credit with a stated expiry date after the Termination Date may be extended, modified or amended); provided, further that on or prior to the twentieth (20th) day prior to the Termination Date, the Borrower shall deliver (i) cash collateral in accordance with the terms of the Cash Collateral Agreement in an amount equal to one hundred five percent (105%) of the face amount of any Letter of Credit then outstanding with a stated expiry date on or after the Termination Date (each an "IDENTIFIED LETTER OF CREDIT") or (ii) one or more letters of credit (each a "SUPPORT LETTER OF CREDIT"), for the benefit of the applicable Issuing Bank(s) issuing the Identified Letters of Credit, for reimbursement of any draw under any such Identified Letters of Credit, in each case in an amount and issued by an issuing bank and otherwise in form and substance reasonably acceptable to the Administrative Agent, and upon delivery of such cash collateral or Support Letters of Credit, as applicable, the participation of each Lender in such Identified Letters of Credit (and the LC Outstandings thereunder) shall be terminated. Each Request for Issuance shall be irrevocable unless modified or rescinded by the Borrower not less than two (2) days prior to the proposed date of issuance (or effectiveness) specified therein. Not later than 12:00 noon on the proposed date of issuance (or effectiveness) specified in such Request for Issuance, and upon fulfillment of the applicable conditions precedent and the other requirements set forth herein and in the relevant Issuing Bank Agreement, such Issuing Bank shall issue (or extend, amend or modify) such Letter of Credit and provide notice and a copy thereof to the Administrative Agent, which shall promptly furnish copies thereof to the Lenders.

(b) Each Lender severally agrees with such Issuing Bank to participate in the Extension of Credit resulting from the issuance (or extension, modification or amendment) of such Letter of Credit (including, without limitation, each letter of credit issued pursuant to the Existing Credit Agreement), in the manner and the amount provided in Section 4.04(b), and the issuance of such Letter of Credit (or, in the case of each letter of credit issued pursuant to the Existing Credit Agreement, the execution by the Issuing Bank and each Lender of this Agreement) shall be deemed to be a confirmation by such Issuing Bank and each Lender of such participation in such amount.

(c) Notwithstanding anything herein to the contrary, (i) the aggregate Dollar Equivalent of the stated amount of all Letters of Credit outstanding at any one time shall not exceed \$275,000,000, (ii) the aggregate Dollar Equivalent of the stated amount of all Letters of Credit outstanding at any one time and denominated in Canadian Dollars shall not exceed \$25,000,000, and (iii) the aggregate Dollar Equivalent of the stated amount of all Letters of Credit outstanding at any one time and denominated in euro shall not exceed \$35,000,000.

SECTION 4.03. ISSUING BANK FEES. The Borrower shall pay directly to each Issuing Bank such fees and expenses, if any, specified to be paid to such Issuing Bank pursuant to the Issuing Bank Agreement to which it is a party, at the times, and in the manner, specified in such Issuing Bank Agreement.

SECTION 4.04. REIMBURSEMENT TO ISSUING BANKS.

(a) The Borrower hereby agrees to pay to the Administrative Agent for the account of each Issuing Bank, on demand made by such Issuing Bank to the Borrower and the Administrative Agent, on and after each date on which such Issuing Bank shall pay any amount under the Letter of Credit issued by such Issuing Bank, a sum in Dollars equal to the Dollar Equivalent of the amount so paid plus interest on such amount from the date so paid by such Issuing Bank until repayment to such Issuing Bank in full at a fluctuating interest rate per annum equal at all times to the Applicable Rate for ABR Loans.

(b) If any Issuing Bank shall not have been reimbursed in full for any payment made by such Issuing Bank under the Letter of Credit issued by such Issuing Bank on the date of such payment, such Issuing Bank shall give the Administrative Agent and each Lender prompt notice thereof (an "LC PAYMENT NOTICE") no later than 12:00 noon on the Business Day immediately succeeding the date of such payment by such Issuing Bank. Each Lender severally agrees to purchase from each Issuing Bank a participation in the reimbursement obligation of the Borrower to such Issuing Bank under subsection (a) above, by paying to the Administrative Agent for the account of such Issuing Bank an amount in Dollars equal to such Lender's Percentage of the Dollar Equivalent of such unreimbursed amount paid by such Issuing Bank, plus interest on the Dollar Equivalent of such amount at a rate per annum equal to the Federal Funds Effective Rate from the date of such payment by such Issuing Bank to the date of payment to such Issuing Bank by such Lender. Each such payment by a Lender shall be made not later than 3:00 P.M. on the later to occur of (i) the Business Day immediately following the date of such payment by such Issuing Bank and (ii) the Business Day on which such Lender shall have received an LC Payment Notice from such Issuing Bank. Each Lender's obligation to make each such payment to the Administrative Agent for the account of such Issuing Bank shall be several and shall not be affected by the occurrence or continuance of any Default or Event of Default or the failure of any other Lender to make any payment under this Section 4.04. Each Lender further agrees that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(c) The failure of any Lender to make any payment to the Administrative Agent for the account of an Issuing Bank in accordance with subsection (b) above, shall not relieve any other Lender of its obligation to make payment, but no Lender shall be responsible for the failure of any other Lender. If any Lender (a "NON-PERFORMING LENDER") shall fail to make any payment to the Administrative Agent for the account of an Issuing Bank in accordance with subsection (b) above, within five (5) Business Days after the LC Payment Notice relating thereto, then, for so long as such failure shall continue, such Issuing Bank shall be deemed, for purposes of Section 5.05 and Article IX hereof and the Cash Collateral Agreement, to be a Lender hereunder owed a Loan in an amount equal to the Dollar Equivalent of the outstanding principal amount due and payable by such Lender to the Administrative Agent for the account of such Issuing Bank pursuant to subsection (b) above.

(d) Each participation purchased by a Lender under subsection (b) above, shall constitute an ABR Loan in the amount in Dollars paid by such Lender to the Administrative Agent for the account of the applicable Issuing Bank and shall be deemed made by such Lender to the Borrower on the date of such payment by the relevant Issuing Bank under the Letter of

Credit issued by such Issuing Bank (irrespective of the Borrower's noncompliance, if any, with the conditions precedent for Loans hereunder); and all such payments by the Lenders in respect of any one such payment by such Issuing Bank shall constitute a single Borrowing hereunder.

SECTION 4.05. OBLIGATIONS ABSOLUTE. The payment obligations of each Lender under Section 4.04(b) and of the Borrower under this Agreement in respect of any payment under any Letter of Credit and any Loan made under Section 4.04(d) shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following circumstances:

(i) any lack of validity or enforceability of any Loan Document or any other agreement or instrument relating thereto or to such Letter of Credit;

(ii) any amendment or waiver of, or any consent to departure from, all or any of the Loan Documents;

(iii) the existence of any claim, set-off, defense or other right which the Borrower may have at any time against any beneficiary, or any transferee, of such Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any Issuing Bank, or any other Person, whether in connection with this Agreement, the transactions contemplated herein or by such Letter of Credit, or any unrelated transaction;

(iv) any statement or any other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(v) payment in good faith by any Issuing Bank under the Letter of Credit issued by such Issuing Bank against presentation of a draft or certificate which does not comply with the terms of such Letter of Credit; or

(vi) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

SECTION 4.06. LIABILITY OF ISSUING BANKS AND THE LENDERS. The Borrower assumes all risks of the acts and omissions of any beneficiary or transferee of any Letter of Credit. Neither the Issuing Bank that has issued such Letter of Credit, the Lenders nor any of their respective officers, directors, employees, agents or Affiliates shall be liable or responsible for (a) the use that may be made of such Letter of Credit or any acts or omissions of any beneficiary or transferee thereof in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Issuing Bank against presentation of documents that do not comply with the terms of such Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under such Letter of Credit, except that the Borrower shall have the right to bring suit against such Issuing Bank, and such Issuing Bank shall be liable to the Borrower and any Lender, to the extent of any direct, as opposed to consequential, damages suffered by the Borrower or such Lender which the

Borrower or such Lender proves were caused by such Issuing Bank's willful misconduct or gross negligence, including such Issuing Bank's willful failure to make timely payment under such Letter of Credit following the presentation to it by the beneficiary thereof of a draft and accompanying certificate(s) which strictly comply with the terms and conditions of such Letter of Credit. In furtherance and not in limitation of the foregoing, any Issuing Bank may accept sight drafts and accompanying certificates presented under the Letter of Credit issued by such Issuing Bank that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary. Notwithstanding the foregoing, no Lender shall be obligated to indemnify the Borrower for damages caused by any Issuing Bank's willful misconduct or gross negligence, and the obligation of the Borrower to reimburse the Lenders hereunder shall be absolute and unconditional, notwithstanding the gross negligence or willful misconduct of any Issuing Bank.

SECTION 4.07. CURRENCY EQUIVALENTS. For purposes of Articles IV and V of this Agreement, the Dollar Equivalent of any Alternative Currency shall be determined by the Administrative Agent by using the quoted closing spot rate at which Barclays' principal office in London offers to exchange Dollars for such Alternative Currency in London on the day such equivalent is to be determined; provided, however, that if at the time of any such determination, for any reason, no spot rate is being quoted, the Administrative Agent, after consultation with the Borrower, may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error. The Dollar Equivalent of the stated amount of each Letter of Credit outstanding made in an Alternative Currency and of the amount of each participation purchased by a Lender under Section 4.04(b) shall be recalculated hereunder on (i) each date that it shall be necessary to determine the unused portion of each Lender's Commitment, or the outstanding amount of any or all Loans, Letters of Credit outstanding, LC Outstandings or any Extension of Credit, or (ii) on any such other date which the Administrative Agent deems such recalculation necessary or advisable or is otherwise directed to make such recalculation by the Required Lenders, but in any event at least monthly. The Administrative Agent agrees to provide notice to the Lenders of the relevant Dollar Equivalent determined pursuant to each such determination and each such recalculation as soon as practicable following such determination or recalculation, as the case may be.

SECTION 4.08. JUDGEMENT CURRENCY. If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder or under the Promissory Notes in any currency (the "ORIGINAL CURRENCY") into another currency (the "OTHER CURRENCY") the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Original Currency with the Other Currency at Barclays on the Business Day immediately preceding that on which final judgment is given. The obligation of the Borrower in respect of any sum due in the Original Currency from it to any Lender, Issuing Bank, Collateral Agent or Administrative Agent hereunder or under any other Loan Document shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Business Day following receipt by such Lender, Issuing Bank, Collateral Agent or Administrative Agent (as the case may be) of any sum adjudged to be so due in such Other Currency such Lender, Issuing Bank, Collateral Agent or Administrative Agent (as the case may be) may in accordance with normal banking procedures purchase the Original Currency with such Other Currency; if the amount of the Original Currency so purchased is less than the sum

originally due to such Lender, Issuing Bank, Collateral Agent or Administrative Agent (as the case may be) in the Original Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender, Issuing Lender, Collateral Agent or Administrative Agent (as the case may be) against such loss, and if the amount of the Original Currency so purchased exceeds the sum originally due in the Original Currency to any Lender, Issuing Lender, Collateral Agent or Administrative Agent (as the case may be), such Lender, Issuing Lender, Collateral Agent or Administrative Agent (as the case may be) agrees to remit to the Borrower such excess.

ARTICLE V  
PAYMENTS, COMPUTATIONS AND YIELD PROTECTION

SECTION 5.01. PAYMENTS AND COMPUTATIONS.

(a) The Borrower shall make each payment hereunder and under the other Loan Documents not later than 2:00 P.M. on the day when due in Dollars to the Administrative Agent at its offices at 222 Broadway, 11th Floor, New York, New York 10038, in same day funds, except payments to be made directly to any Issuing Bank as expressly provided herein; any payment received after 3:00 P.M. 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. 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 Dollar Equivalent of 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 11.07, 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, each Lender and each Issuing Bank, if and to the extent payment owed to the Administrative Agent, such Lender or such Issuing Bank, 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, such Lender or such Issuing Bank, 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 5.07, (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 5.02. 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 5.03. 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 5.04(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, and on any date on which the sum of the aggregate outstanding principal amount of the Loans and the aggregate Dollar Equivalent of all LC Outstandings shall exceed the aggregate amount of the Commitments, and on any date on which the aggregate Dollar Equivalent of (1) all LC Outstandings shall exceed \$275,000,000, (2) all LC Outstandings denominated in Canadian Dollars shall exceed \$25,000,000, or (3) all LC Outstandings denominated in euro shall exceed \$35,000,000, the Borrower shall first, pay or prepay the principal outstanding on the Loans and/or LC Outstandings that represent amounts that have been drawn under Letters of Credit but have neither been reimbursed by the Borrower nor converted into ABR Loans, second, if all of the Loans and all of such unreimbursed amounts constituting LC Outstanding shall have been paid in full, provide cash collateral pursuant to the Cash Collateral Agreement, to secure remaining LC Outstandings, and third, cause an amount of Letters of Credit to be cancelled (if necessary after taking into account the payments and provision of cash collateral in the immediately preceding clauses), in each case, in an amount equal to the excess, as applicable, of (A) (i) the sum of the aggregate principal amount of the Loans outstanding and the aggregate Dollar Equivalent of all LC Outstandings (in each case 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 sum of the Commitments (following such termination or reduction, if any) and such cash collateral, or (B) (i) the aggregate Dollar Equivalent of all LC Outstandings, over (ii) the sum of \$275,000,000 and such cash collateral, or (C) (i) the aggregate Dollar Equivalent of all LC Outstandings denominated in Canadian Dollars, over (ii) the sum of \$25,000,000 and such cash collateral, or (D) (i) the aggregate Dollar Equivalent of all LC Outstandings denominated in euro, over (ii) the sum of \$35,000,000 and such cash collateral, together with, in the case of any such payment (x) accrued interest to the date of such prepayment on the amount repaid and (y) in the case of prepayments of Eurodollar Rate Loans, any amount payable to the Lenders pursuant to Section 5.04(b). Any payments and prepayments required by clause "first" of this subsection (b) shall be applied, first, to outstanding ABR Loans up to the full amount thereof, second, to outstanding Eurodollar Rate Loans, and third, as cash collateral, pursuant to the Cash Collateral Agreement, to secure LC Outstandings. In the event that the Borrower requests the release of any cash collateral pursuant to the terms of the Cash Collateral Agreement and on the date of such request or at any time prior to the time of such release, there has become, or there becomes, due and payable any prepayment of any Loans under this Agreement, the Borrower hereby directs the Administrative Agent to apply the

proceeds of such release of cash collateral to such prepayment of such Loans and agrees that any such request is a confirmation of such direction.

SECTION 5.04. 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 (A) the cost to any Lender of agreeing to make or making, funding or maintaining Eurodollar Rate Loans, or of participating in the issuance, maintenance or funding of any Letter of Credit, or (B) the cost to any Issuing Bank of issuing or maintaining any Letter of Credit, then the Borrower shall from time to time, upon demand by such Lender or Issuing Bank, as the case may be (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender or Issuing Bank, as the case may be, additional amounts sufficient to compensate such Lender or Issuing Bank, as the case may be, 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 or such Issuing Bank, as the case may be, 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 5.03, an acceleration of maturity of the Loans pursuant to Section 9.02, 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 repay 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 or Issuing Bank 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 or Issuing Bank, whether directly, or indirectly as a result of commitments of any corporation controlling such Lender or Issuing Bank (but without duplication), and (ii) the amount of such capital is increased by or based upon (A) the existence of such Lender's or Issuing Bank's commitment to lend or issue or participate in any Letter of Credit hereunder, or (B) the participation in or issuance or maintenance of any Letter of Credit or Loan and (C) other similar such commitments, then, upon

demand by such Lender or Issuing Bank, the Borrower shall immediately pay to the Administrative Agent for the account of such Lender or Issuing Bank from time to time as specified by such Lender or Issuing Bank additional amounts sufficient to compensate such Lender or Issuing Bank in the light of such circumstances, to the extent that such Lender or Issuing Bank 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 or Issuing Bank, 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 5.04 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 5.04, 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 5.04 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 5.04 shall survive the repayment of all other amounts owing to the Lenders, the Agents and the Issuing Banks under the Loan Documents and the termination of the Commitments. If and to the extent that the obligations of the Borrower under this Section 5.04 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 5.05. 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 5.04 or Section 5.06) 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 5.05 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 5.05, on the date of receipt of such excess payment, return such excess payment to the Administrative Agent for distribution in accordance with Section 5.01(a).

SECTION 5.06. TAXES.

(a) All payments by the Borrower hereunder and under the other Loan Documents shall be made in accordance with Section 5.01, 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, each Issuing Bank 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, Issuing Bank 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, Issuing Bank 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 5.06) such Lender, Issuing Bank 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, Issuing Bank 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 5.06) paid by such Lender, Issuing Bank 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, Issuing Bank or Agent (as the case may be) makes written demand therefor; provided, that such Lender, Issuing Bank or Agent (as the case may be) shall not be entitled to demand payment under this Section 5.06 for an amount if such demand is not made within one year following the date upon which such Lender, Issuing Bank 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 11.02, 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 5.07. APPORTIONMENT OF PAYMENTS.

(a) Subject to the provisions of Section 2.03 and Section 5.07(b), all payments of principal and interest in respect of outstanding Loans, all payments in respect of unpaid reimbursement obligations under Section 4.04(a), all payments of fees and all other payments in respect of any other Obligations hereunder, shall be allocated among such of the Lenders and the Issuing Banks as are entitled thereto, ratably or otherwise as expressly provided herein. Except as provided in Section 5.07(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 Barclays for which the Administrative Agent has not then been reimbursed by such Lender or the Borrower,

(ii) second, to pay interest on and then the principal of the Loans 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 Barclays 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 and the Issuing Banks 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 pay principal of and interest on all unpaid reimbursement obligations under Section 4.04(a) and the aggregate undrawn face amount of all outstanding Letters of Credit (or, to the extent such reimbursement obligations are contingent, deposited in the "Account" (as defined in the Cash Collateral Agreement) to provide cash collateral in respect of such obligations);

(vii) seventh, 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 Credit Agreement and/or the 364 Day Facility shall not have been paid in full, the Collateral Agent shall apply the proceeds of all 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 and under the 364 Day Facility) as contemplated by the Enterprises Credit Agreement or the 364 Day Facility, as applicable. The order of priority set forth in this Section 5.07(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 5.08. 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 and under the 364 Day Facility) 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 5.07 or as otherwise required under the 364 Day Facility and the Enterprises 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 5.07 or as otherwise required under the 364 Day Facility and the Enterprises 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 5.07 or as otherwise required under the 364 Day Facility and the Enterprises Credit Agreement so long as such agreements shall be in effect.

ARTICLE VI  
CONDITIONS PRECEDENT

SECTION 6.01. 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, 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 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 (or comparable charter document) and by-laws 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 II 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 June 30, 2002; and

(B) debt (as such term is construed in accordance with GAAP) of the Loan Parties as of June 30, 2002.

(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 Enterprises Credit Agreement, as in effect on the Closing Date.

(ix) Favorable opinions of:

(A) Michael D. VanHemert, 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) Hughes Hubbard & Reed LLP, special counsel to the Loan Parties in substantially the form of Exhibit D-1 and as to such other matters as the Administrative Agent may reasonably request; and

(C) Skadden, Arps, Slate, Meagher & Flom LLP, special counsel to the Loan Parties in substantially the form of Exhibit D-2 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 7.01 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 11.04(a), in each case to the extent then due and payable.

(d) 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 all certificates representing capital stock included in the Collateral have been delivered to the Collateral Agent (with duly executed stock powers).

SECTION 6.02. CONDITIONS PRECEDENT TO EACH EXTENSION OF CREDIT. The obligation of each Lender or Issuing Bank, as the case may be, 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 and the Issuing Banks) 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 7.01 of this Agreement (other than those contained in subsections (e)(ii) 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 or Issuing Bank, 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 6.03. CONDITIONS PRECEDENT TO CERTAIN EXTENSIONS OF CREDIT. The obligation of each Lender or Issuing Bank, as the case may be, 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, or to make an Extension of Credit of the type described in clause (ii) or (iii) of the definition thereof (except any amendment of a Letter of Credit the sole effects of which are to extend the stated termination date thereof and/or to make nonmaterial modifications thereto), 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 and the Issuing Banks) 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)(ii) and (f) of Section 7.01 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 or Issuing Bank, through the Administrative Agent, may reasonably request.

SECTION 6.04. RELIANCE ON CERTIFICATES. The Lenders, the Issuing Banks 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 6.05. CONDITION PRECEDENT TO THE INITIAL EXTENSION OF CREDIT. The obligation of each Lender or Issuing Bank, as the case may be, to make its initial Extension of Credit is subject to the fulfillment of the following condition precedent: the Administrative Agent shall have received, on or before the day of the initial Extension of Credit, in form and substance satisfactory to it, a certificate, executed by a duly authorized officer of the Borrower, confirming that attached thereto is a true, correct and complete copy of the credit agreements and other instruments evidencing the refinancing and/or replacement of Consumer's existing \$300,000,000

senior credit facilities (such refinancing and/or replacement, as amended, restated, refunded, replaced, supplemented or otherwise modified from time to time being the "CONSUMERS CREDIT FACILITY"), as in effect on the date of such certificate.

ARTICLE VII  
REPRESENTATIONS AND WARRANTIES

SECTION 7.01. 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 a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation 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 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 364 Day Facility and the Enterprises 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 6.01(d), perfected Liens in the Collateral covered thereby securing the payment of all of the Loans purported to be secured thereby, which Liens shall be first perfected Liens with respect to all Collateral that is not otherwise subject to a Lien in favor of the collateral agent under the Enterprises Credit Agreement and the 364 Day Facility, 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 sheet of the Borrower and its Consolidated Subsidiaries as at December 31, 2001, and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Consolidated Subsidiaries for the fiscal year then ended, included in the Borrower's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and the unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at March 31, 2002, and the related unaudited consolidated statements of income, retained earnings and cash flows for the three-month period then ended, in each case as such financial statements are proposed to be restated as disclosed in the Borrower's Forms 8-K filed with the Securities and Exchange Commission on May 29, 2002 and June 11, 2002, copies of each of which have been furnished to each Lender, fairly present (subject, in the case of such balance sheet and statement of income for the three months ended March 31, 2002, to year-end adjustments) 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, all in accordance with generally accepted accounting principles consistently applied; (ii) since March 31, 2002, except as disclosed in the Borrower's Quarterly Report on Form 10-Q for the period ended March 31, 2002 and in the Current Reports on Form 8-K filed by the Borrower on May 29, 2002 and June 11, 2002, there has been no Material Adverse Change; and (iii) no Loan Party has any material liabilities or obligations except as reflected in the foregoing financial statements and in Schedule II, 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, 2001, the Borrower's Quarterly Report on Form 10-Q for the period ended March 31, 2002, and the Current Report on Form 8-K filed by the Borrower on May 29, 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 Reports filed with the Securities and Exchange Commission set forth in clause (i) hereof (all such matters in clauses (i) and (ii) being the "Disclosed Matters"), 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 8.01(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. 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 2002-2006 Projections of Consumers, Enterprises and the Borrower (the "PROJECTIONS"), copies of which have been distributed to the Banks in the Confidential Information Memorandum dated June 2002 (the "CONFIDENTIAL INFORMATION MEMORANDUM"), are based upon assumptions that the Borrower believed were reasonable at the time the Projections were delivered, and all other financial information contained in the Confidential Information Memorandum or otherwise delivered by the Borrower to the Administrative Agent and the Banks on and after June 11, 2002 is true and correct in all material respects as at the dates and for the periods indicated therein.

(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 or any drawing under any Letter of Credit 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 or any drawing under any Letter 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) Borrower, each Guarantor and Consumers are exempt from the registration requirements of 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, the Issuing Banks 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 Extensions of Credit requested hereunder are made, and the disbursement of the proceeds of such Extensions of Credit pursuant to the Borrower's instructions, the Borrower and its Subsidiaries, taken as a whole, are Solvent.

(v) Schedule II sets forth as of June 30, 2002 (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 VIII  
COVENANTS OF THE BORROWER

SECTION 8.01. AFFIRMATIVE COVENANTS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid, any Letter of Credit shall remain outstanding 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. The Borrower shall preserve and maintain, and each of its Restricted Subsidiaries and Consumers shall preserve and maintain, its corporate 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 Issuing Bank, 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 (i) 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 and (ii) by or on behalf of the Administrative Agent, other than the first two visitations and inspections occurring during any calendar year or any visitations and inspections occurring at a time when a Default or Event of Default shall be continuing, shall be at the Administrative Agent's expense; all other such inspections and visitations shall be at the Borrower's expense.

(f) Keeping of Books. 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.

(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

8.02(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, to (ii) Consolidated EBITDA for such period, of not more than 5.75 to 1.00, commencing with the period ending June 30, 2002.

(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 (except that, with respect to each Measurement Quarter ending in 2002, such ratio shall be calculated for the period from January 1, 2002 through and including the last day of such Measurement Quarter), 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, plus (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 to (ii) interest expense (including commitment, guaranty and letter of credit fees) accrued by the Borrower in respect of all Debt during such period of not less than 1.25 to 1.00, commencing with the Measurement Quarter ending on June 30, 2002; 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 Commitments and the principal amount outstanding under this Agreement and the Promissory Notes and/or the "Commitments" and the principal amount outstanding under the 364 Day Facility and the "Promissory Notes" (as such terms are defined in the 364 Day Facility), 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 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 corporate resolutions, opinions of counsel and such other corporate documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

SECTION 8.02. NEGATIVE COVENANTS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid, any Letter of Credit shall remain outstanding 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 other 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 of Consumers, Enterprises, CMS Oil and Gas Company and any of the Borrower's other 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 MS&T in respect of hedging arrangements and commodity purchases and sales (including any cash margins with respect thereto); provided that the aggregate amount of pledges or deposits securing such Support Obligations and obligations of MS&T shall not exceed \$125,000,000 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 364 Day Facility and the Enterprises Credit Agreement;

(v) Liens securing Off-Balance Sheet Liabilities (and all refinancings and recharacterizations thereof permitted under Section 8.02(b)(iv)) in an aggregate amount not to exceed \$725,000,000;

(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 \$10,000,000;

(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; and

(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.

(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 8.02(a)(iii);

(iii) debt arising under (a) the Loan Documents, (b) the "Loan Documents" as defined in the 364 Day Facility and (c) the "Loan Documents" as defined in the Enterprises Credit Agreement in a principal amount equal to \$150,000,000 minus any principal payments 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 8.02(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 June 30, 2002 as set forth on Schedule II), 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; and

(viii) capital lease obligations and other Debt secured by purchase money Liens to the extent such Liens shall be permitted under Section 8.02(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 obligations of the Borrower or any other Loan Party as in effect as of the Closing Date, (iii) investments by any Loan Party in the capital of any Subsidiary of the Borrower that is a Loan Party, (iv) investments in the capital stock of any of the Borrower's Subsidiaries arising from the conversion of intercompany indebtedness to equity, (v) loans and advances by any Loan Party to another Loan Party to the extent permitted under Section 8.02(b)(vi), (vi) investments constituting non-cash consideration received in connection with the sale of any asset permitted under Section 8.02(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.

(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 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) 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 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"), unless (i) no Default or Event of Default has occurred and is continuing or would occur as a result of such Restricted Payment, (ii) the ratio of (a) the sum of (1) Cash Dividend Income for the four-fiscal-quarter period ending on the last day of the Measurement Quarter ending immediately prior to the date of such Restricted Payment (except that, with respect to each Measurement Quarter ending in 2002, such ratio shall be calculated for the period

from January 1, 2002 through and including the last day of such preceding Measurement Quarter), plus (2) 25% of the amount of Equity Distributions received by the Borrower during such period but in no event in excess of \$10,000,000, plus (3) 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, plus (4) all amounts received by the Borrower from its Subsidiaries and Affiliates during such period pursuant to the Tax Sharing Agreement, to (b) the sum of (1) interest expense (including commitment, guaranty and letter of credit fees) accrued by the Borrower in respect of all Debt during such period, plus (2) the amount of such Restricted Payment (which, for purposes of calculation of this clause (ii), shall be deemed to have been made as of the last day of such period) and all other such Restricted Payments made during the preceding three-fiscal-quarter period (except that, with respect to any Restricted Payment made during 2002, all other Restricted Payments made on or after April 1, 2002), shall be not less than 1.05 to 1.00, as certified to the Administrative Agent by the Borrower; provided, however, that the foregoing shall not prohibit (1) 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)), provided that such purchase or redemption shall be excluded from the calculation of the amount of Restricted Payments permitted by this subsection (e); (2) Restricted Payments paid within 60 days after the date of declaration thereof if at such date of declaration such Restricted Payment would have complied with this subsection (e), provided that at the time of payment of such Restricted Payment, no Default or Event of Default shall have occurred and be continuing (or result therefrom), and provided further that such Restricted Payments shall be included (without duplication) in the calculation of the amount of Restricted Payments permitted by this subsection (e); or (3) payments made by the Borrower or any other Loan Party pursuant to the Tax Sharing Agreement. For purposes of this subsection (e), the amount of any Restricted Payment not in the form of cash shall be the fair market value of such Restricted Payment as determined in good faith by the Board of Directors of the Borrower, provided that if the value of the non-cash portion of such Restricted Payment as determined by the Borrower's Board of Directors is in excess of \$25,000,000, such value shall be based on an opinion from a nationally-recognized firm acceptable to the Administrative Agent experienced in the appraisal of similar types of property or transactions.

(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 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 and such 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.

(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) any Loan Party may merge with or into any other Loan Party, provided that (a) in any such merger with or into the Borrower, (1) all of the obligations under the Enterprises Credit Agreement shall have been paid in full in cash and the Enterprises Credit Agreement shall have been terminated, and (2) the Borrower is the surviving corporation, (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, (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 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 Credit Agreement; provided, further, that neither the Borrower nor any of the other Loan Parties 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 the sale of Collateral 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 and (ii) 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 8.02(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 8.02(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

(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.

(j) Maintenance of Ownership of Subsidiaries. Sell, transfer, assign or otherwise dispose of any shares of capital stock 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 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 the capital stock of any other Loan Party or any warrants, rights or options to acquire such capital stock, except to give effect to a transaction permitted by subsection (h) above and in connection with the foreclosure of any Liens permitted under Section 8.02(a)(iv); provided, however, that subject to the requirements of Section 2.03(c) (i) the Borrower may sell, transfer, assign or otherwise dispose of not more than 20% of the common stock of Consumers, provided that after giving effect to each such transaction the Borrower shall be in compliance with Section 8.01(i), (ii) the Borrower may sell, transfer, assign or otherwise dispose of not more than 20% of the common stock of Enterprises; provided, that after giving effect to each such transaction the Borrower shall be in compliance with Section 8.01(i), (iii) Enterprises may, and the Borrower may permit Enterprises to, sell, transfer, assign or otherwise dispose of not more than 49% of the common stock of any Enterprises Significant Subsidiary other than CMS Oil and Gas Company, provided that after giving effect to each such transaction the Borrower shall be in compliance with Section 8.01(i), and (iv) Enterprises and its Subsidiaries may, and the Borrower may permit Enterprises and its Subsidiaries to, sell, transfer, assign or otherwise dispose of all of the capital stock (or other equity interests) of CMS Oil and Gas Company and CMS Electric and Gas Company owned by Enterprises or any of its Subsidiaries, provided that after giving effect to such transaction the Borrower shall be in compliance with Section 8.01(i).

(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 each of the 364 Day Facility and the Enterprises Credit Agreement), other than any payments on account of (i) any Debt when and as such payment was due 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, (ii) refinancings of Debt otherwise permitted under this Agreement, and (iii) any Debt owed to the Borrower or any of its Subsidiaries.

(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 (or comparable charter document) and by-laws 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 8.02(c)) in the aggregate in excess of \$725,000,000 at any time.

SECTION 8.03. REPORTING OBLIGATIONS. So long as any Loan or any other amount payable hereunder or under any Promissory Note shall remain unpaid, any Letter of Credit shall remain outstanding 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, 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 8.01(i) and 8.01(j) and the ratio set forth in Section 9.01(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, 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 8.01(i) and 8.01(j) and the ratio set forth in Section 9.01(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, 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, 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 available, a copy of the report by a nationally recognized independent public accounting firm on the consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2001, and the related consolidated statements of income, retained earnings and cash flows of the Borrower and its Subsidiaries for such fiscal year then ended;

(g) as soon as available, and in any event within ten (10) Business Days after the close of each calendar month, (i) month-end liquidity statements with respect to the Borrower and its consolidated Subsidiaries and (ii) updates to the monthly cash flow forecasts of the Borrower and its consolidated Subsidiaries, in each case in form and detail consistent with such statements and forecasts provided to the Lenders and the Agents prior to the Closing Date;

(h) 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;

(i) 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;

(j) 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;

(k) 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;

(l) 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 7.01(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 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;

(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 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

(o) 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), (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 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 IX DEFAULTS

SECTION 9.01. 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 9.02:

(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 8.01(c), (h), (i), (j) or (l) or in Section 8.02 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 364 Day Facility, 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 VI, 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) At any time any Issuing Bank shall have been served with or otherwise subjected to a court order, injunction, or other process or decree issued or granted at the instance of the Borrower restraining or seeking to restrain such Issuing Bank from paying any amount under any Letter of Credit issued by it (other than pursuant to any action or proceeding based on Section 5-109 of the Uniform Commercial Code) and either (i) there has been a drawing under such Letter of Credit which such Issuing Bank would otherwise be obligated to pay or (ii) the stated expiration date or any reduction of the stated amount of such Letter of Credit has occurred but the right of the beneficiary to draw thereunder has been extended in connection with the pendency of the related court action or proceeding; 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.

(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 9.02. 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 (other than Loans under Section 4.04) and of any Issuing Bank to issue a Letter of Credit 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, (iii) provide from the proceeds of any Collateral (as defined in the Cash Collateral Agreement) for cash collateralization of LC Outstandings, and (iv) exercise in respect of any and all collateral, in addition to the other rights and remedies provided for herein and in the Cash Collateral Agreement or otherwise available to the Administrative 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 Loans and of any Issuing Bank to issue any Letter of Credit 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. Notwithstanding anything to the contrary contained herein, no notice given or declaration made by the Administrative Agent pursuant to this Section 9.02 shall affect (i) the obligation of any Issuing Bank to make any payment under any Letter of Credit issued by such Issuing Bank in accordance with the terms of such Letter of Credit or (ii) the participatory interest of each Lender in each such payment.

ARTICLE X  
THE AGENTS

SECTION 10.01. AUTHORIZATION AND ACTION.

(a) Each of the Lenders and the Issuing Banks hereby irrevocably appoints each Agent (other than the Co-Syndication Agents and Documentation Agents) 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 11.01), 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 11.01 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 VI or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to such Agent. Neither any Co-Syndication Agent nor any Documentation Agent shall have any duties or obligations in such capacity under any of the Loan Documents.

(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 10.01 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, the Issuing Bank 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 and the Issuing Bank, 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 11.04 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 11.05) that it will not take any legal action, nor institute any actions or proceedings, against the Borrower or any other obligor hereunder 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 its portion of the Loans, or unilaterally terminate its Commitment except in accordance with Section 9.02.

SECTION 10.02. 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 Arrangers 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 11.04 but are not reimbursed for such expenses by the Borrower.

SECTION 10.03. CONCERNING THE COLLATERAL AND THE LOAN DOCUMENTS.

(a) Each Lender and each Issuing Bank authorizes and directs the Collateral Agent to enter into the Loan Documents relating to the Collateral for the benefit of the Lenders and the Issuing Banks. Each Lender and each Issuing Bank 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 and the Issuing Banks. 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 and the Issuing Banks 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 and the Issuing Banks 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 and the Issuing Banks to act as collateral sub-agent for the Collateral Agent and the Lenders and the Issuing Banks 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 or such Issuing Bank, including, without limitation, deposit accounts maintained with, and cash held by, such Lender or such Issuing Bank; (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 or the Issuing Banks with respect to the Collateral under the Loan Documents relating thereto, applicable law or otherwise.

(b) The Administrative Agent, each Lender and each Issuing Bank 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 and the Issuing Banks:

(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; and/or

(iii) against any part of the Collateral consisting of a promissory note, upon payment in full of the Debt evidenced thereby.

The Administrative Agent, each Lender and each Issuing Bank 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 10.03(b) promptly upon the effectiveness of any such release.

SECTION 10.04. RELEASE OF GUARANTORS. Upon the liquidation or dissolution of any Guarantor, or sale of all of the capital stock 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, 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 XI  
MISCELLANEOUS

SECTION 11.01. 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 VI, (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(d)), (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(d)), (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 any Loan Document in a manner intended to prefer one or more Lenders over any other Lenders, (vii) amend, waive or modify Section 2.03(b) or this Section 11.01, (viii) release the Collateral Agent's Lien on all or a substantial portion of the Collateral (except as provided in Section 10.03(b)), or (ix) extend 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; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by each Issuing Bank in addition to the Lenders required above to take such action, affect the rights or duties of any Issuing Bank under this Agreement or any other Loan Document. Any request from the Borrower for any amendment, waiver or consent under this Section 11.01 shall be addressed to the Administrative Agent.

SECTION 11.02. 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 its Domestic Lending Office specified opposite its name on Schedule I; (iii) if to any Issuing Bank, at its address specified in the Issuing Bank Agreement to which it is a party; (iv) if to any Lender other than a Bank, at its Domestic Lending Office specified in the Lender Assignment pursuant to which it became a Lender; (v) if to the Administrative Agent, at its address at 222 Broadway, New York, New York 10038, Attn: Jeff Pannullo, Customer Service Unit, Telephone No. (212) 412-3724, Telecopy No. (212) 412-5306, with a copy to such party at 222 Broadway, New York, New York 10038, Attn: Sydney G. Dennis, Power and Utilities Group, Telephone No. (212) 412-2470, Telecopy No. (212) 412-7511; (vi) if 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 X shall not be effective until received by such Agent.

SECTION 11.03. NO WAIVER OF REMEDIES. No failure on the part of the Borrower, any Lender, any Issuing Bank 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 11.04. COSTS, EXPENSES AND INDEMNIFICATION.

(a) The Borrower agrees to (i) reimburse on demand all reasonable costs and expenses of each Agent and the Arrangers (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 9.02 or an Event of Default specified in Section 9.01(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 Arrangers, the Issuing Bank, 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, Letter of Credit or other Extension of Credit or the use or proposed use of the proceeds therefrom (including any refusal by the Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (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 11.04 shall survive the repayment of all amounts owing to the Lenders, the Issuing Banks 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 11.04 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 11.05. 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 9.02 to authorize the Administrative Agent to declare the principal amount outstanding hereunder to be due and payable pursuant to the provisions of Section 9.02, each Lender and Issuing Bank 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 or Issuing Bank 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 or the Issuing Bank Agreement to which such Issuing Bank is a party, as the case may be, irrespective of whether or not such Lender or Issuing Bank shall have made any demand under this Agreement, such Promissory Notes or such Issuing Bank Agreement, as the case may be, and although such obligations may be unmatured. Each Lender and Issuing Bank agrees to notify promptly the Borrower after any such set-off and application made by such Lender or Issuing Bank, provided that the failure to give such notice shall not affect the validity of such

set-off and application. The rights of each Lender and Issuing Bank under this Section 11.05 are in addition to other rights and remedies (including other rights of set-off) which such Lender and Issuing Bank 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 11.06. 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 11.07. ASSIGNMENTS AND PARTICIPATION.

(a) Each Lender may, with the consent of the Borrower, each Issuing Bank, and the Administrative Agent (such consent not to be unreasonably withheld or delayed and, in the case of the Borrower, shall not be required if an Event of Default has occurred and is continuing), assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment, the Loans owing to it and any Promissory Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations under this Agreement, (ii) the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Lender Assignment with respect to such assignment) shall in no event be less than the lesser of the amount of such Lender's Commitment and \$5,000,000 and shall be an integral multiple of \$1,000,000, (iii) each such assignment shall be to an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, a Lender Assignment, together with any Promissory Notes subject to such assignment, an Administrative Questionnaire and a processing and recordation fee of \$3,500 and (v) after giving effect to such assignment, the amount of the Commitment of the assigning Lender shall be not less than \$5,000,000 or such lesser amount as may be agreed to by the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower; and provided further, however, that the consent of the Borrower, each Issuing Bank and the Administrative Agent shall not be required for any assignments by a Lender to any of its Affiliates or to any other Lender or any of its Affiliates. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Lender Assignment, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Lender

Assignment, have the rights and obligations of a Lender hereunder and (B) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it to an Eligible Assignee pursuant to such Lender Assignment, relinquish its rights and be released from its obligations under this Agreement (and, in the case of a Lender Assignment covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto); provided, however, that the limitation set forth in clause (iv), above, shall not apply if an Event of Default shall have occurred and be continuing and the Administrative Agent shall have declared all Loans to be, or all Loans shall have automatically become, immediately due and payable hereunder. The Administrative Agent agrees to give prompt notice to the Lenders and the Borrower of any assignment or participation of its rights and obligations as a Bank hereunder. Notwithstanding anything to the contrary contained in this Agreement, any Lender may at any time assign all or any portion of the Loans owing to it to any Affiliate of such Lender. The assigning Lender shall promptly notify the Borrower of any such assignment. No such assignment, other than to an Eligible Assignee, shall release the assigning Lender from its obligations hereunder.

(b) By executing and delivering a Lender Assignment, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Lender Assignment, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant thereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; (iii) such assignee confirms that it has received a copy of each Loan Document, together with copies of the financial statements referred to in Section 7.01(e) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Lender Assignment; (iv) such assignee will, independently and without reliance upon the Agents, such assigning Lender or any other Lender 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; (v) such assignee confirms that it is an Eligible Assignee (unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have declared all Loans to be immediately due and payable hereunder, in which case no such confirmation is necessary); (vi) such assignee appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to each Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that 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 Lender.

(c) The Administrative Agent shall maintain at its address referred to in Section 11.02 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, the Issuing Banks 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, any Issuing Bank or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a Lender Assignment executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), any Promissory Notes subject to such assignment, the processing and recordation fee referred to in subsection (a) above and any written consent to such assignment required by subsection (a) above, the Administrative Agent shall, if such Lender Assignment has been completed and is in substantially the form of Exhibit F, (i) accept such Lender Assignment, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. New and/or replacement Promissory Notes payable to the assignee and the assigning Lender (if the assigning Lender assigned less than all of its rights and obligations hereunder) shall be issued upon request pursuant to Section 3.01(d), and shall be dated the effective date of such Lender Assignment.

(e) Each Lender may sell participations to one or more banks or other entities (a "PARTICIPANT") in or to all or a portion of its rights and/or obligations under the Loan Documents (including all or a portion of its Commitment, the Loans owing to it and any Promissory Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including 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 any such Promissory Notes for all purposes of this Agreement, and (iv) the Borrower, the Agents, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and the other Loan Documents and to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided, that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.01 that affects such Participant. Subject to subsection (f) below, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 5.04 and 5.06 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (a) above. To the extent permitted by law, each Participant shall also be entitled to the benefits of Section 11.05(a) as though it were a Lender, provided such Participant agrees to be subject to Section 5.05 as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 5.04 or 5.06 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 5.06 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 5.06(e) as though it were a Lender.

(g) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 11.07, disclose to the assignee or Participant or proposed assignee 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, the assignee or Participant or proposed assignee or Participant shall agree, in accordance with the terms of Section 11.08, to preserve the confidentiality of any Confidential Information received by it from such Lender.

(h) If any Lender (or any Participant to which such Lender has sold a participation) shall make any demand for payment under Section 5.04(a) or (c), then in the case of any such demand, within 30 days after any such demand (if, but only if, such demanded payment has been made by the Borrower) or notice, the Borrower may, with the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and provided that no Event of Default or Default shall then have occurred and be continuing, demand that such Lender assign, at the sole cost and expense of the Borrower, in accordance with this Section 11.07 to one or more Eligible Assignees designated by the Borrower, all (but not less than all) of such Lender's Commitment and the Loans owing to it within the period ending on the later to occur of (x) the last day in the period described above, as applicable, and (y) the last day of the longest of the then current Interest Periods for such Loans. If any such Eligible Assignee designated by the Borrower shall fail to consummate such assignment on terms acceptable to such Lender, or if the Borrower shall fail to designate any such Eligible Assignees for all or part of such Lender's Commitment or Loans, then such demand by the Borrower shall become ineffective; it being understood for purposes of this subsection (h) that such assignment shall be conclusively deemed to be on terms acceptable to such Lender, and such Lender shall be compelled to consummate such assignment to an Eligible Assignee designated by the Borrower, if such Eligible Assignee (1) shall agree to such assignment by entering into a Lender Assignment with such Lender and (2) shall offer compensation to such Lender in an amount equal to all amounts then owing by the Borrower to such Lender hereunder and under any Promissory Notes made by the Borrower to such Lender, whether for principal, interest, fees, costs or expenses (other than the demanded payment referred to above, and payable by the Borrower as a condition to the Borrower's right to demand such assignment) or otherwise (including, without limitation, to the extent not paid by the Borrower, any payments required pursuant to Section 5.04(b)). In addition, in the case of any amount demanded for payment by any Lender (or such Participant) pursuant to Section 5.04(a) or (c), the Borrower may, in the case of any such Lender, with the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and provided that no Event of Default or Default shall then have occurred and be continuing, terminate all (but not less than all) such Lender's Commitment and prepay all (but not less than all) such Lender's Loans not so assigned, together with all interest accrued thereon to the date of such prepayment and all fees, costs and expenses and other amounts then owing by the Borrower to such Lender hereunder and under any Promissory Notes made by the Borrower to such Lender, at any time from and after such later occurring day in accordance with Sections 2.03 and 5.03 (but without the requirement stated therein for ratable treatment of the other Lenders), if and only if, after giving effect to such termination and prepayment, the sum of the aggregate principal amount of the Loans of all Lenders then outstanding does not exceed the then remaining Commitments of the Lenders. Notwithstanding anything set forth above in this subsection (h) to the contrary, the Borrower shall not be entitled to compel the assignment by any Lender demanding payment under Section 5.04(a) of its Commitment and Loans or terminate and prepay the Commitment and Loans of

such Lender if, prior to or promptly following any such demand by the Borrower, such Lender shall have changed or shall change, as the case may be, its Applicable Lending Office for its Eurodollar Rate Loans so as to eliminate the further incurrence of such increased cost. In furtherance of the foregoing, any such Lender demanding payment or giving notice as provided above agrees to use reasonable efforts to so change its Applicable Lending Office if, to do so, would not result in the incurrence by such Lender of additional costs or expenses which it deems material or, in the sole judgment of such Lender, be inadvisable for regulatory, competitive or internal management reasons.

(i) Anything in this Section 11.07 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of its Commitment and the Loans owing to it to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

SECTION 11.08. 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, the Issuing Banks 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 11.08. 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.

SECTION 11.09. Waiver of Jury Trial. THE BORROWER, THE AGENTS, THE ISSUING BANKS 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 11.10. 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, THE ISSUING BANKS 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, THE ISSUING BANKS 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, ANY ISSUING BANK OR ANY LENDER. THE BORROWER AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY ANY AGENT, ANY ISSUING BANK 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, ANY ISSUING BANK OR ANY LENDER. THE BORROWER WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH ANY AGENT, ANY ISSUING BANK OR ANY LENDER MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

SECTION 11.11. 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 11.12. 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 11.13. 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 and the Issuing Banks 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.

[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/ Alan M. Wright

-----  
Name: Alan M. Wright  
Title: Executive Vice President  
Chief Financial Officer &  
Chief Administrative Officer

Signature Page to \$300,000,000 Amended and Restated Credit Agreement

BARCLAYS BANK PLC, individually as a Lender and as  
Administrative Agent and Issuing Bank

By: /s/ Sidney. G. Dennis

-----  
Name: Sidney. G. Dennis  
Title: Director

(The signature pages of the remaining 20 Banks are not attached)

Signature Page to \$300,000,000 Amended and Restated Credit Agreement

COMMITMENT SCHEDULE

LENDER	COMMITMENT
BARCLAYS BANK PLC	\$23,800,000
BANK OF AMERICA, N.A.	\$23,000,000
JPMORGAN CHASE BANK	\$23,000,000
CITICORP USA, INC.	\$23,000,000
UNION BANK OF CALIFORNIA, N.A.	\$23,000,000
BNP PARIBAS	\$19,000,000
BANK ONE, NA	\$15,800,000
COMERICA BANK	\$15,800,000
CREDIT SUISSE FIRST BOSTON, CAYMAN ISLANDS BRANCH	\$15,800,000
FLEET NATIONAL BANK	\$15,800,000
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	\$10,000,000
DEUTSCHE BANK TRUST COMPANY AMERICAS (formerly known as BANKERS TRUST COMPANY)	\$10,000,000
CIBC INC.	\$10,000,000
STANDARD FEDERAL BANK N.A. (formerly known as Michigan National Bank)	\$10,000,000

LENDER	COMMITMENT
THE ROYAL BANK OF SCOTLAND PLC	\$10,000,000
SOCIETE GENERALE -- NY	\$10,000,000
SUMITOMO MITSUI BANKING CORPORATION	\$10,000,000
THE BANK OF NOVA SCOTIA	\$10,000,000
TORONTO DOMINION (TEXAS), INC.	\$10,000,000
ARAB BANKING CORPORATION	\$6,000,000
MIZUHO CORPORATE BANK, LTD. (formerly known as, THE FUJI BANK, LIMITED)	\$6,000,000
Total Commitments:	\$300,000,000

SCHEDULE III

GRANTOR -----	Pledged Capital Stock ----- PLEGED SUBSIDIARIES -----
CMS Energy Corporation	CMS Enterprises Company (100%)
CMS Enterprises Company	CMS Generation Co. (100%) CMS Gas Transmission Company (100%) CMS Capital, L.L.C. (100%) CMS Electric and Gas Company (100%) CMS Oil and Gas Company (100%) CMS Marketing, Services and Trading Company (100%) CMS International Ventures, L.L.C. (66.7%)
CMS Generation Co.	CMS International Ventures, L.L.C. (33.3%) 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 Field Services, Inc. (100%) Panhandle Eastern Pipe Line Company (100%)
CMS Field Services, Inc.	CMS Gas Processing, L.L.C. (100%) CMS Natural Gas Gathering, L.L.C. (100%)

\$150,000,000

CREDIT AGREEMENT

Dated as of July 12, 2002,

Among

CMS ENTERPRISES COMPANY  
as Borrower

and

CMS ENERGY CORPORATION  
as a Loan Party

and

THE BANKS NAMED HEREIN  
as Banks

and

CITICORP USA, INC.  
as Administrative Agent and as Collateral Agent

---

SALOMON SMITH BARNEY INC.  
as Lead Arranger and Book Manager

---

TABLE OF CONTENTS

SECTION	PAGE
ARTICLE I DEFINITIONS AND ACCOUNTING TERMS	
SECTION 1.01. Certain Defined Terms.....	1
SECTION 1.02. Computation of Time Periods; Construction.....	19
SECTION 1.03. Accounting Terms.....	20
ARTICLE II THE TERM LOAN	
SECTION 2.01. The Term Loan.....	20
SECTION 2.02. Fees 20.....	20
SECTION 2.03. Mandatory Prepayments.....	20
SECTION 2.04. Computations of Outstandings.....	21
ARTICLE III LOANS	
SECTION 3.01. Loans.....	21
SECTION 3.02. Conversion of Loans.....	23
SECTION 3.03. Interest Periods.....	23
SECTION 3.04. Other Terms Relating to the Making and Conversion of Loans.....	23
SECTION 3.05. Repayment of Loans; Interest.....	25
ARTICLE IV [RESERVED]	
ARTICLE V PAYMENTS, COMPUTATIONS AND YIELD PROTECTION	
SECTION 5.01. Payments and Computations.....	26
SECTION 5.02. Interest Rate Determination.....	28
SECTION 5.03. Prepayments.....	28
SECTION 5.04. Yield Protection.....	28
SECTION 5.05. Sharing of Payments, Etc.....	30
SECTION 5.06. Taxes.....	30
SECTION 5.07. Apportionment of Payments.....	31
SECTION 5.08. Proceeds of Collateral.....	33

SECTION	PAGE
ARTICLE VI CONDITIONS PRECEDENT	
SECTION 6.01. Conditions Precedent to the Effectiveness of this Agreement.....	33
SECTION 6.02. Conditions Precedent to Each Extension of Credit.....	35
SECTION 6.03. Conditions Precedent to the Initial Extension of Credit.....	36
SECTION 6.04. Reliance on Certificates.....	36
ARTICLE VII REPRESENTATIONS AND WARRANTIES	
SECTION 7.01. Representations and Warranties of the Borrower.....	37
ARTICLE VIII COVENANTS OF THE BORROWER	
SECTION 8.01. Affirmative Covenants.....	40
SECTION 8.02. Negative Covenants.....	42
SECTION 8.03. Reporting Obligations.....	50
ARTICLE IX DEFAULTS	
SECTION 9.01. Events of Default.....	53
SECTION 9.02. Remedies.....	55
ARTICLE X THE AGENTS	
SECTION 10.01. Authorization and Action.....	56
SECTION 10.02. Indemnification.....	57
SECTION 10.03. Concerning the Collateral and the Loan Documents.....	58
SECTION 10.04. Release of Guarantors.....	59
ARTICLE XI MISCELLANEOUS	
SECTION 11.01. Amendments, Etc.....	59
SECTION 11.02. Notices, Etc.....	60
SECTION 11.03. No Waiver of Remedies.....	60
SECTION 11.04. Costs, Expenses and Indemnification.....	60
SECTION 11.05. Right of Set-off.....	61
SECTION 11.06. Binding Effect.....	62
SECTION 11.07. Assignments and Participation.....	62
SECTION 11.08. Confidentiality.....	66
SECTION 11.09. Waiver of Jury Trial.....	67

TABLE OF CONTENTS (CONT'D)

SECTION	PAGE
SECTION 11.10. GOVERNING LAW; SUBMISSION TO JURISDICTION.....	67
SECTION 11.11. Relation of the Parties; No Beneficiary.....	67
SECTION 11.12. Execution in Counterparts.....	68
SECTION 11.13. Survival of Agreement.....	68

Exhibits  
- - - - -

- EXHIBIT A - Form of Notice of Borrowing
- EXHIBIT B - Form of Notice of Conversion
- EXHIBIT C - Form of Opinion of Michael D. VanHemert, Esq.,  
counsel to the Borrower
- EXHIBIT D-1 - Form of Opinion of Skadden, Arps, Slate, Meagher &  
Flom LLP, special counsel to the Borrower
- EXHIBIT D-2 - Form of Opinion of Hughes Hubbard & Reed 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 (Grantors)
- EXHIBIT J - Form of Pledge and Security Agreement (CMS Energy  
and Grantors)

Schedules  
- - - - -

- COMMITMENT
- SCHEDULE
- SCHEDULE I - Applicable Lending Offices
- SCHEDULE II - Certain Debt
- SCHEDULE III - Pledged Capital Stock

CREDIT AGREEMENT

Dated as of July 12, 2002

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") 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.

"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 and (b) 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 or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"APPLICABLE LENDING OFFICE" means, with respect to each Lender, (i) such Lender's Domestic Lending Office, in the case of an ABR Loan, and (ii) such Lender's Eurodollar Lending Office, in the case of a Eurodollar Rate Loan.

"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:

ABR Loans	2.00%
Eurodollar Rate Loans	3.00%

"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.

"ARRANGER" means Salomon Smith Barney Inc.

"BOARD" means the Board of Governors of the Federal Reserve System of the United States of America.

"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.

"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, or (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.

"CLOSING DATE" means July 12, 2002.

"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 on July 15, 2002 in an aggregate amount no greater than the amount set forth opposite such Lender's name on the Commitment Schedule under the heading "Commitment". "COMMITMENTS" means the total of the Lenders' Commitments hereunder. On the Closing Date, the Commitments equal \$150,000,000.

"COMMITMENT SCHEDULE" means the Schedule identifying each Lender's Commitment as of the Closing Date attached hereto and identified as such.

"CONFIDENTIAL INFORMATION" has the meaning assigned to that term in Section 11.08.

"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, its Subsidiaries or PremStar Energy Canada Ltd. ("PREMSTAR") 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, any of its Subsidiary's or PremStar's obligations under any such purchase or sale transaction (a "COVERING TRANSACTION") entered into by MS&T, any of its Subsidiaries or PremStar 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, any of its Subsidiaries or PremStar in support of such Counterparty's payment obligations to MS&T, such Subsidiary or PremStar 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" is defined in Section 6.03(c).

"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.

"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, (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 8.01(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 (a) and (b) of Section 2.03.

"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.

"DOMESTIC LENDING OFFICE" means, with respect to any Lender, the office or affiliate of such Lender specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Lender Assignment pursuant to which it became a Lender, or

such other office or affiliate of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"ELIGIBLE ASSIGNEE" means (a) a commercial bank or trust company organized under the laws of the United States, or any State thereof; (b) a commercial bank organized under the laws of any other country that is a member of the OECD, or a political subdivision of any such country, provided that such bank is acting through a branch or agency located in the United States; (c) the central bank of any country that is a member of the OECD; and (d) any other commercial bank or other financial institution engaged generally in the business of extending credit or purchasing debt instruments; provided, however, that (A) any such Person shall also (i) have outstanding unsecured indebtedness that is rated A- or better by S&P or A3 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 indebtedness of entities engaged in such businesses) or (ii) have combined capital and surplus (as established in its most recent report of condition to its primary regulator) of not less than \$250,000,000 (or its equivalent in foreign currency), (B) any Person described in clause (b), (c), or (d) above, shall, on the date on which it is to become a Lender hereunder, (1) be entitled to receive payments hereunder without deduction or withholding of any United States Federal income taxes (as contemplated by Section 5.06) and (2) not be incurring any losses, costs or expenses of the type for which such Person could demand payment under Section 5.04(a) or (c) (except to the extent that, in the absence of the making of an assignment to such Person, the assigning Lender would have incurred an equal or greater amount of such losses, costs or expenses and such losses, costs or expenses would have been payable by the Borrower to such assigning Lender hereunder), and (C) any Person described in clause (d) above shall, in addition, be acceptable to the Administrative Agent (which acceptance shall not be unreasonably withheld or delayed).

"ENTERPRISES SIGNIFICANT SUBSIDIARY" means CMS Oil and Gas Company, 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 "commonly controlled entity" within the meaning of the regulations under Section 414 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 LENDING OFFICE" means, with respect to any Lender, the office or affiliate of such Lender specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Lender Assignment pursuant to which it became a Lender (or, if no such office or affiliate is specified, its Domestic Lending Office), or such other office or affiliate of such Lender as such Lender may from time to time specify in writing to the Borrower and the Administrative Agent.

"EURODOLLAR RATE LOAN" means a Loan that bears interest as provided in Section 3.05(b) (ii).

"EVENT OF DEFAULT" is defined in Section 9.01.

"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.

"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 8.01(1).

"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 (other than CMS Energy) and each of the following Subsidiaries of the Borrower: CMS Capital, L.L.C., a Michigan limited liability company, CMS Electric and Gas Company, a Michigan corporation, CMS Oil and Gas Company, a Michigan corporation, 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, and CMS Natural Gas Gathering, L.L.C., an Oklahoma limited liability company.

"GUARANTOR" means CMS Energy, CMS Generation Co., CMS Gas Transmission Company 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 8.01(1).

"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 11.04(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.

"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" means an assignment and agreement entered into by a Lender and an Eligible Assignee, and accepted by the Administrative Agent, in substantially the form of Exhibit F.

"LENDERS" means the Banks listed on the signature pages hereof and each Eligible Assignee that shall become a party hereto pursuant to Section 11.07.

"LIBO RATE" means, with respect to any Eurodollar Borrowing for any Interest Period, 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 8.02(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 Agreement, and all other agreements, instruments and documents now or hereafter executed and/or delivered pursuant hereto or thereto.

"LOAN PARTY" is defined in Section 6.01(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.

"MEASUREMENT QUARTER" is defined in Section 8.01(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 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.

"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.

"NOTICE OF BORROWING" is defined in Section 3.01(a).

"NOTICE OF CONVERSION" is defined in Section 3.02.

"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 11.07(e).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor entity) established under ERISA.

"PERCENTAGE" means, for any Lender on any date of determination, the percentage obtained by dividing the aggregate outstanding principal amount of such Lender's Loans

on such day by the total aggregate outstanding principal amount 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); and

(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).

"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 (other than a Multiemployer Plan) maintained for employees of such Person or any ERISA Affiliate of such Person and covered by Title IV of ERISA.

"PLAN TERMINATION EVENT" means, with respect to any Person, (i) 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 (ii) the withdrawal of such Person 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 (iii) the filing of a notice of intent to terminate a Plan or the treatment 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.

"PLEDGE AGREEMENT" means that certain Pledge and Security Agreement, dated as of July 12, 2002, by and among the Borrower, the Grantors and the Collateral Agent in substantially the form of Exhibit J 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 III 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, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"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(d); and "PROMISSORY NOTES" means any or all of the foregoing.

"RECIPIENT" is defined in Section 11.08.

"REGISTER" is defined in Section 11.07(c).

"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 at least 51% 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.

"RESTRICTED SUBSIDIARY" means (i) the Borrower 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 stranded costs.

"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, (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) December 13, 2002 and (ii) the date of termination or reduction in whole of the Commitments pursuant to Section 2.03 or 9.02.

"364 DAY FACILITY" means that certain \$295,800,000 Amended and Restated Credit Agreement dated as of July 12, 2002, by and among CMS Energy, the Banks and the Agents, as the same may amended, restated, supplemented or otherwise modified from time to time.

"THREE YEAR FACILITY" means that certain \$300,000,000 Amended and Restated Credit Agreement dated as of July 12, 2002, by and among CMS Energy, the Banks and the Agents, as the same may amended, restated, supplemented or otherwise modified from time to time.

"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 7.01(e) ("GAAP"). 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 8.03 shall be prepared in accordance with generally accepted accounting principles in effect at such time.

## ARTICLE II THE TERM LOAN

SECTION 2.01. THE TERM LOAN. Subject to the terms and conditions set forth in this Agreement, each Lender severally and not jointly agrees to make on July 15, 2002, a term loan, in Dollars, to the Borrower in an aggregate amount equal to such Lender's Commitment (each individually, a "Loan" and, collectively, the "Loans"). All Loans shall be made by the Lenders on July 15, 2002 simultaneously and proportionately to their respective Percentages, it being understood that no Lender shall be responsible for any failure by any other Lender to perform its obligation to make any Loan hereunder nor shall the Commitment of any Lender be increased or decreased as a result of any such failure.

SECTION 2.02. FEES. 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 July 12, 2002 among the Borrower, the Arranger and CUSA (the "FEE LETTER"), in the amounts and at the times specified therein.

SECTION 2.03. MANDATORY PREPAYMENTS. The Borrower shall make the following mandatory prepayments:

(a) 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 herewith, in excess of \$5,000,000, 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 and (B) any sale or other disposition by CMS Energy or any of its Subsidiaries in the ordinary course of business consistent with past practice; and

(b) 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 or incurrence of Debt For Borrowed Money, other than securities issued by or 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.

Nothing in this Section 2.03 shall be construed to constitute the Lenders' consent to any transaction referenced in clauses (a) and (b) above which is not expressly permitted by Article VIII. 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 Payment becomes due and payable pursuant to this Section 2.03). 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.

#### ARTICLE III LOANS

##### SECTION 3.01. LOANS.

(a) The Borrower shall request the initial Borrowing by delivering a notice (a "NOTICE OF BORROWING") to the Administrative Agent no later than 12:00 noon (New York City time) on the Closing Date. The Administrative Agent shall give each Lender prompt notice of such Notice of Borrowing. Such Notice of Borrowing shall be in substantially the form of Exhibit A and shall specify the requested (i) date of such Borrowing, and (ii) amount of such Borrowing. The initial Borrowing shall be ABR Loans. Each proposed Borrowing shall conform to the requirements of Sections 3.03 and 3.04.

(b) Each Lender shall, before 2:00 p.m. (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 VI, 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) If and to the extent that any Lender (a "NON-PERFORMING LENDER") shall not have made available to the Administrative Agent, in accordance with subsection (b) above, such Lender's Percentage of any Borrowing, the non-performing Lender and the Borrower severally agree to repay to the Administrative Agent forthwith on demand corresponding amounts, together with interest thereon for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Loans made in connection with such Borrowing and (ii) in the case of such Lender, the Federal Funds Effective Rate. If a non-performing Lender shall repay to the Administrative Agent such corresponding amount in full (with interest as above provided), (x) the Administrative Agent shall apply such corresponding amount and interest to the repayment to the Administrative Agent (or repayment of Loans made to fund such repayment to the Administrative Agent), and shall make any remainder available to the Borrower and (y) such amount so repaid shall be deemed to constitute such Lender's Loan, made as part of such Borrowing for purposes of this Agreement as if funded concurrently with the other Loans made as part of such Borrowing, and such Lender shall forthwith cease to be deemed a non-performing Lender; if and so long as such non-performing Lender shall not repay such amount, and unless and until an Eligible Assignee shall have assumed and performed the obligations of such non-performing Lender, all computations by the Administrative Agent of Percentages, Commitments and payments hereunder shall be made without regard to the Commitment, or outstanding Loans, of such non-performing Lender, and any amounts paid to the Administrative Agent for the account of such non-performing Lender shall be held by the Administrative Agent in trust for such non-performing Lender in a non-interest-bearing special purpose account. Nothing herein shall in any way limit, waive or otherwise reduce any claims that any party hereto may have against any non-performing Lender. The failure of any Lender to make the Loan to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on the date of any Borrowing.

(d) 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 11.07) 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 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 consist of Loans of the same Type, having the same Interest Period (if applicable) 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 seven (7);

(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 5.04(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 to an Eligible Assignee), 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), or shall become a non-performing Lender under Section 3.01(c), and if and so long as such Lender shall not have withdrawn such notice or corrected such non-performance in accordance with said Section 3.04(b) or Section 3.01(c), the Borrower or the Administrative Agent may demand that such Lender assign in accordance with Section 11.07, to one or more Eligible Assignees designated by the Borrower or the Administrative Agent, 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 Eligible Assignee 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 Eligible Assignee, 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 Eligible Assignee (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 5.04(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 VI, 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 January, April, July and October, 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  
[RESERVED]

ARTICLE V  
PAYMENTS, COMPUTATIONS AND YIELD PROTECTION

SECTION 5.01. PAYMENTS AND COMPUTATIONS.

(a) The Borrower shall make each payment hereunder and under the other Loan Documents not later than 2:00 P.M. 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. 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. 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 11.07, 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 5.07, (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 5.02. 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 5.03. PREPAYMENTS. The Borrower shall have no right to prepay any principal amount of any Loans other than as follows: 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 5.04(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.

SECTION 5.04. 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 5.03, an acceleration of maturity of the Loans pursuant to Section 9.02, 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 participation in 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 5.04 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 5.04, 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 5.04 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 5.04 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 5.04 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 5.05. 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 5.04 or Section 5.06) 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 5.05 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 5.05, on the date of receipt of such excess payment, return such excess payment to the Administrative Agent for distribution in accordance with Section 5.01(a).

SECTION 5.06. TAXES.

(a) All payments by the Borrower hereunder and under the other Loan Documents shall be made in accordance with Section 5.01, 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 5.06) 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 5.06) 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 5.06 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 11.02, 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 5.07. APPORTIONMENT OF PAYMENTS.

(a) Subject to the provisions of Section 2.03 and Section 5.07(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 5.07(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 and then the principal of the Loans 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.

The order of priority set forth in this Section 5.07(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 5.08. 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 5.07. 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 5.07. 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 5.07.

ARTICLE VI  
CONDITIONS PRECEDENT

SECTION 6.01. 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, 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 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 (or comparable charter document) and by-laws 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, duly executed by each Grantor.

(vii) A certified copy of Schedule II hereto, in form and substance reasonably satisfactory to the Administrative Agent setting forth:

(A) all Project Finance Debt of the Consolidated Subsidiaries, together with CMS Energy's Ownership Interest in each such Consolidated Subsidiary, as of June 30, 2002; and

(B) debt (as such term is construed in accordance with GAAP) of the Loan Parties as of June 30, 2002.

(viii) A certificate, executed by a duly authorized officer of the Borrower, confirming that attached thereto are true, correct and complete copies of the Three Year Facility and the 364 Day Facility, as in effect on the Closing Date.

(ix) Favorable opinions of:

(A) Michael D. VanHemert, Esq., Deputy General Counsel of CMS Energy 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-1 and as to such other matters as the Administrative Agent may reasonably request; and

(C) Hughes Hubbard & Reed LLP, special counsel to the Loan Parties in substantially the form of Exhibit D-2 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 7.01 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 11.04(a), in each case to the extent then due and payable.

(d) 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 all certificates representing capital stock included in the Collateral have been delivered to the Collateral Agent (with duly executed stock powers).

SECTION 6.02. 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 7.01 of this Agreement (other than those contained in subsections (e) (ii) 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 6.03. CONDITIONS PRECEDENT TO THE INITIAL EXTENSION OF CREDIT. The obligation of each Lender to make the initial Extension of Credit 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) (ii) and (f) of Section 7.01 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; and

(c) the Administrative Agent shall have received, on or before the day of the initial Extension of Credit, in form and substance satisfactory to it, a certificate, executed by a duly authorized officer of the Borrower, confirming that attached thereto is a true, correct and complete copy of the credit agreements and other instruments evidencing the refinancing and/or replacement of Consumer's existing \$300,000,000 senior credit facilities (such refinancing and/or replacement, as amended, restated, refunded, replaced, supplemented or otherwise modified from time to time being the "CONSUMERS CREDIT FACILITY"), as in effect on the date of such certificate.

SECTION 6.04. 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 VII  
REPRESENTATIONS AND WARRANTIES

SECTION 7.01. 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 a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation 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 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 Three Year Facility and the 364 Day Facility) 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 6.01(d), perfected Liens in the Collateral covered thereby securing the payment of all of the Loans purported to be secured thereby, which Liens shall be first perfected Liens, 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 sheet of CMS Energy and its Consolidated Subsidiaries as at December 31, 2001, and the related consolidated statements of income, retained earnings and cash flows of CMS Energy and its Consolidated Subsidiaries for the fiscal year then ended, included in CMS Energy's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and the unaudited consolidated balance sheet of CMS Energy and its Consolidated Subsidiaries as at March 31, 2002, and the related unaudited consolidated statements of income, retained earnings and cash flows for the three-month period then ended, in

each case as such financial statements are proposed to be restated as disclosed in CMS Energy's Forms 8-K filed with the Securities and Exchange Commission on May 29, 2002 and June 11, 2002, copies of each of which have been furnished to each Lender, fairly present (subject, in the case of such balance sheet and statement of income for the three months ended March 31, 2002, to year-end adjustments) 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, all in accordance with generally accepted accounting principles consistently applied; (ii) since March 31, 2002, except as disclosed in the CMS Energy's Quarterly Report on Form 10-Q for the period ended March 31, 2002 and in the Current Reports on Form 8-K filed by CMS Energy on May 29, 2002 and June 11, 2002, there has been no Material Adverse Change; and (iii) no Loan Party has any material liabilities or obligations except as reflected in the foregoing financial statements and in Schedule II, 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, 2001, CMS Energy's Quarterly Report on Form 10-Q for the period ended March 31, 2002, and the Current Report on Form 8-K filed by CMS Energy on May 29, 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 Reports filed with the Securities and Exchange Commission set forth in clause (i) hereof, 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.

(g) All insurance required by Section 8.01(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. 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 2002-2006 Projections of Consumers, CMS Energy and the Borrower (the "PROJECTIONS"), copies of which have been distributed to the Banks in the Confidential Information Memorandum dated June 2002 (the "CONFIDENTIAL INFORMATION MEMORANDUM"), are based upon assumptions that the Borrower believed were reasonable at the time the Projections were delivered, and all other financial information contained in the Confidential Information Memorandum or otherwise delivered by the Borrower to the Administrative Agent and the Banks on and after June 11, 2002 is true and correct in all material respects as at the dates and for the periods indicated therein.

(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) Borrower, each Guarantor and Consumers are exempt from the registration requirements of 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 II sets forth as of June 30, 2002 (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 VIII  
COVENANTS OF THE BORROWER

SECTION 8.01. 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. CMS Energy shall preserve and maintain, and each of its Restricted Subsidiaries and Consumers shall preserve and maintain, its corporate 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 (i) 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 and (ii) by or on behalf of the Administrative Agent, other than the first two visitations and inspections occurring during any calendar year or any visitations and inspections occurring at a time when a Default or Event of Default shall be continuing, shall be at the Administrative Agent's expense; all other such inspections and visitations shall be at the Borrower's expense.

(f) Keeping of Books. 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.

(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 8.02(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, to (ii) Consolidated EBITDA for such period, of not more than 5.75 to 1.00, commencing with the period ending June 30, 2002.

(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 (except that, with respect to each Measurement Quarter ending in 2002, such ratio shall be calculated for the period from January 1, 2002 through and including the last day of such Measurement Quarter), 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, plus (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 to (ii) interest expense (including commitment, guaranty and letter of credit fees) accrued by CMS Energy in respect of all Debt during such period of not less than 1.25 to 1.00, commencing with the Measurement Quarter ending on June 30, 2002; 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 either of the Three Year Facility and/or the 364 Day Facility and the "Promissory Notes" thereunder (and as such terms are 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 corporate resolutions, opinions of counsel and such other corporate documentation as the Administrative Agent may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent.

SECTION 8.02. 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 other 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 of Consumers, the Borrower, CMS Oil and Gas Company and any of CMS Energy's other 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 MS&T in respect of hedging arrangements and commodity purchases and sales (including any cash margins with respect thereto); provided that the aggregate amount of pledges or deposits securing such Support Obligations and obligations of MS&T shall not exceed \$125,000,000 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 Three Year Facility and the 364 Day Facility;

(v) Liens securing Off-Balance Sheet Liabilities (and all refinancings and recharacterizations thereof permitted under Section 8.02(b)(iv)) in an aggregate amount not to exceed \$725,000,000;

(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 \$10,000,000;

(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; and

(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.

(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 8.02(a)(iii);

(iii) debt arising under the Loan Documents and under the "Loan Documents" as defined in each of the Three Year Facility and the 364 Day Facility;

(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 8.02(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 June 30, 2002 as set forth on Schedule II), 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 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 8.02(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 obligations of CMS Energy or any other Loan Party as in effect as of the Closing Date, (iii) investments by any Loan Party in the capital of any Subsidiary of CMS Energy that is a Loan Party, (iv) investments in the capital stock of any of CMS Energy's Subsidiaries arising from the conversion of intercompany indebtedness to equity, (v) loans and advances by any Loan Party to another Loan Party to the extent permitted under Section 8.02(b)(vi), (vi) investments constituting non-cash consideration received in connection with the sale of any asset permitted under Section 8.02(i), and (vii) additional loans, advances, purchases, contributions and other investments in an amount not to exceed \$150,000,000 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.

(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 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) 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 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"), unless (i) no Default or Event of Default has occurred and is continuing or would occur as a result of such Restricted Payment, (ii) after giving effect thereto, the aggregate amount of all such Restricted Payments made by CMS Energy during any fiscal quarter shall not exceed an amount in the aggregate equal to \$0.1825 multiplied by the aggregate number of issued and outstanding shares of common stock of CMS Energy (exclusive of any common stock held by CMS Energy or any of its Subsidiaries, other than common stock held by Consumers and the Borrower as of the Closing Date) as of the record date for such fiscal quarter, and (iii) with respect to any Restricted Payment to be made on or after January 1, 2003, on or prior to December 31, 2002 CMS Energy shall have received not less than \$250,000,000 of Net Proceeds from the issuance of equity or equity-linked securities of CMS Energy and shall have applied such Net Proceeds in accordance with Section 2.03; provided, however, that the foregoing shall not prohibit (1) 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)), provided that such purchase or redemption shall be excluded from the calculation of the amount of Restricted Payments permitted by this subsection (e); (2) Restricted Payments made within 60 days after the date of declaration thereof if at such date of declaration such Restricted Payment would have complied with this subsection (e), provided that at the time of payment of such Restricted Payment, no Default or Event of Default shall have occurred and be continuing (or result

therefrom), and provided further that such Restricted Payments shall be included (without duplication) in the calculation of the amount of Restricted Payments permitted by this subsection (e), and provided further that with respect to any Restricted Payment to be paid after December 31, 2002, CMS Energy shall have received not less than \$250,000,000 of Net Proceeds from the issuance of equity or equity-linked securities of CMS Energy and shall have applied such Net Proceeds in accordance with Section 2.03 on or prior to the date of declaration thereof; or (3) payments made by CMS Energy or any other Loan Party pursuant to the Tax Sharing Agreement. For purposes of this subsection (e), the amount of any Restricted Payment not in the form of cash shall be the fair market value of such Restricted Payment as determined in good faith by the Board of Directors of CMS Energy, provided that if the value of the non-cash portion of such Restricted Payment as determined by CMS Energy's Board of Directors is in excess of \$25,000,000, such value shall be based on an opinion from a nationally-recognized firm acceptable to the Administrative Agent experienced in the appraisal of similar types of property or transactions.

(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 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 and such 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.

(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) any Loan Party may merge with or into any other Loan Party (other than CMS Energy), provided that (a) no Default or Event of Default shall be continuing or result therefrom and (b) 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 (other than CMS Energy), provided that (a) the Loan Party is the survivor thereof, (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 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 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 and (ii) the Borrower complies with the mandatory prepayment provisions set forth in Section 2.03;

(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 8.02(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 8.02(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

(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.

(j) Maintenance of Ownership of Subsidiaries. Sell, transfer, assign or otherwise dispose of any shares of capital stock 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 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 the capital stock of any other Loan Party or any warrants, rights or options to acquire such capital stock, except to give effect to a transaction permitted by subsection (h) above and in connection with the foreclosure of any Liens permitted under Section 8.02(a)(iv); provided, however, that subject to the requirements of Section 2.03, (i) CMS Energy may sell, transfer, assign or otherwise dispose of not more than 20% of the common stock of Consumers,

provided that after giving effect to each such transaction CMS Energy shall be in compliance with Section 8.01(i), (ii) CMS Energy may sell, transfer, assign or otherwise dispose of not more than 20% of the common stock of the Borrower; provided, that after giving effect to each such transaction CMS Energy shall be in compliance with Section 8.01(i), (iii) the Borrower may, and CMS Energy may permit the Borrower to, sell, transfer, assign or otherwise dispose of not more than 49% of the common stock of any Enterprises Significant Subsidiary other than CMS Oil and Gas Company, provided that after giving effect to each such transaction CMS Energy shall be in compliance with Section 8.01(i), and (iv) the Borrower and its Subsidiaries may, and CMS Energy may permit the Borrower and its Subsidiaries to, sell, transfer, assign or otherwise dispose of all of the capital stock (or other equity interests) of CMS Oil and Gas Company and CMS Electric and Gas Company owned by the Borrower or any of its Subsidiaries, provided that after giving effect to such transaction the Borrower shall be in compliance with Section 8.01(i).

(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 Three Year Facility and the 364 Day Facility), other than any payments on account of (i) any Debt when and as such payment was due 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, (ii) refinancings of Debt otherwise permitted under this Agreement, and (iii) any Debt owed to CMS Energy or any of its Subsidiaries.

(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 (or comparable charter document) and by-laws 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 8.02(c)) in the aggregate in excess of \$725,000,000 at any time.

SECTION 8.03. 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, 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 8.01(i) and 8.01(j) and the ratio set forth in Section 9.01(i), (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, 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 8.01(i) and 8.01(j) and the ratio set forth in Section 9.01(i), (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, 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, 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, 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, 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 available, a copy of the report by a nationally-recognized independent public accounting firm on the consolidated balance sheet of CMS Energy and its Subsidiaries as at December 31, 2001, and the related consolidated statements of income,

retained earnings and cash flows of CMS Energy and its Subsidiaries for such fiscal year then ended;

(i) as soon as available, and in any event within ten (10) Business Days after the close of each calendar month, (i) month-end liquidity statements with respect to CMS Energy and its consolidated Subsidiaries and (ii) updates to the monthly cash flow forecasts of CMS Energy and its consolidated Subsidiaries, in each case in form and detail consistent with such statements and forecasts provided to the Lenders and the Agents prior to the Closing Date;

(j) 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;

(k) 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;

(l) 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;

(m) 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;

(n) 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 7.01(f);

(o) 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;

(p) 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

(q) 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), (i) and (o) 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 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 IX DEFAULTS

SECTION 9.01. 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 9.02:

(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 8.01(c), (h), (i), (j) or (l) or in Section 8.02 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) 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 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 364 Day Facility or the Three Year Facility, 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 VI, 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) 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.

(j) 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.

(k) A Change of Control shall occur.

SECTION 9.02. 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 obligation of each Lender to 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 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 obligation of each Lender to 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 X  
THE AGENTS

SECTION 10.01. 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 11.01), 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 11.01 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 VI 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 10.01 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 11.04 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 11.05) 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 9.02.

SECTION 10.02. 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 11.04 but are not reimbursed for such expenses by the Borrower.

SECTION 10.03. 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; and/or

(iii) against any part of the Collateral consisting of a promissory note, upon payment in full of the Debt evidenced thereby.

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 10.03(b) promptly upon the effectiveness of any such release.

SECTION 10.04. RELEASE OF GUARANTORS. Upon the liquidation or dissolution of any Guarantor, or sale of all of the capital stock 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, 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 XI  
MISCELLANEOUS

SECTION 11.01. 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 VI, (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 or any fees or other amounts payable hereunder (other than fees payable to the Administrative Agent pursuant to Section 2.02), (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), (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 any Loan Document in a manner intended to prefer one or more Lenders over any other Lenders, (vii) amend, waive or modify this Section 11.01, (viii) release the Collateral Agent's Lien on all or a substantial portion of the Collateral (except as provided in Section 10.03(b)), (ix) extend the Termination Date, or (x) amend, waive or modify Section 8.02(e) to increase the amount of Restricted Payments permitted to be paid by the Borrower thereunder or to extend any date set forth therein; 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 11.01 shall be addressed to the Administrative Agent.

SECTION 11.02. 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 its Domestic Lending Office specified opposite its name on Schedule I; (iii) if to any Lender other than a Bank, at its Domestic 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: Onat Acet, Telephone No. (302) 894-6088, 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 X shall not be effective until received by such Agent.

SECTION 11.03. 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 11.04. 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 9.02 or an Event of Default specified in Section 9.01(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 11.04 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 11.04 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 11.05. 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 9.02 to authorize the Administrative Agent to declare the principal amount outstanding hereunder to be due and payable pursuant to the provisions of Section 9.02, 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 11.05 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 11.06. 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 11.07. ASSIGNMENTS AND PARTICIPATION.

(a) Each Lender may, with the consent of the Borrower and the Administrative Agent (such consent not to be unreasonably withheld or delayed and, in the case of the Borrower, shall not be required if an Event of Default has occurred and is continuing), assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement and the other Loan Documents (including all or a portion of its Commitment, the Loans owing to it and any Promissory Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all of the assigning Lender's rights and obligations under this Agreement, (ii) the amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Lender Assignment with respect to such assignment) shall in no event be less than the lesser of the amount of such Lender's Commitment and \$2,500,000 and shall be an integral multiple of \$1,000,000, (iii) each such assignment shall be to an Eligible Assignee, (iv) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, a Lender Assignment, together with any Promissory Notes subject to such assignment, an Administrative Questionnaire and a processing and recordation fee of \$3,500 and (v) after giving effect to such assignment, the amount of the Commitment of the assigning Lender shall be not less than \$2,500,000 or such lesser amount as may be agreed to by the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower; and provided further, however, that the consent of the Borrower and the Administrative Agent shall not be required for any assignments by a Lender to any of its

Affiliates or to any other Lender or any of its Affiliates. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Lender Assignment, which effective date shall be at least five Business Days after the execution thereof, (A) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Lender Assignment, have the rights and obligations of a Lender hereunder and (B) the Lender assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it to an Eligible Assignee pursuant to such Lender Assignment, relinquish its rights and be released from its obligations under this Agreement (and, in the case of a Lender Assignment covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto); provided, however, that the limitation set forth in clause (iv), above, shall not apply if an Event of Default shall have occurred and be continuing and the Administrative Agent shall have declared all Loans to be, or all Loans shall have automatically become, immediately due and payable hereunder. The Administrative Agent agrees to give prompt notice to the Lenders and the Borrower of any assignment or participation of its rights and obligations as a Bank hereunder. Notwithstanding anything to the contrary contained in this Agreement, any Lender may at any time assign all or any portion of the Loans owing to it to any Affiliate of such Lender. The assigning Lender shall promptly notify the Borrower of any such assignment. No such assignment, other than to an Eligible Assignee, shall release the assigning Lender from its obligations hereunder.

(b) By executing and delivering a Lender Assignment, the Lender assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Lender Assignment, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant thereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; (iii) such assignee confirms that it has received a copy of each Loan Document, together with copies of the financial statements referred to in Section 7.01(e) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Lender Assignment; (iv) such assignee will, independently and without reliance upon the Agents, such assigning Lender or any other Lender 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; (v) such assignee confirms that it is an Eligible Assignee (unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have declared all Loans to be immediately due and payable hereunder, in which case no such confirmation is necessary); (vi) such assignee appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to each Agent by the terms thereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that 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 Lender.

(c) The Administrative Agent shall maintain at its address referred to in Section 11.02 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.

(d) Upon its receipt of a Lender Assignment executed by an assigning Lender and an assignee representing that it is an Eligible Assignee, together with the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), any Promissory Notes subject to such assignment, the processing and recordation fee referred to in subsection (a) above and any written consent to such assignment required by subsection (a) above, the Administrative Agent shall, if such Lender Assignment has been completed and is in substantially the form of Exhibit F, (i) accept such Lender Assignment, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. New and/or replacement Promissory Notes payable to the assignee and the assigning Lender (if the assigning Lender assigned less than all of its rights and obligations hereunder) shall be issued upon request pursuant to Section 3.01(d), and shall be dated the effective date of such Lender Assignment.

(e) Each Lender may sell participations to one or more banks or other entities (a "PARTICIPANT") in or to all or a portion of its rights and/or obligations under the Loan Documents (including all or a portion of its Commitment, the Loans owing to it and any Promissory Notes held by it); provided, however, that (i) such Lender's obligations under this Agreement (including 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 any such Promissory Notes for all purposes of this Agreement, and (iv) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and the other Loan Documents and to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided, that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 11.01 that affects such Participant. Subject to subsection (f) below, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 5.04 and 5.06 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to subsection (a) above. To the extent permitted by law, each Participant shall also be entitled to the benefits of Section 11.05(a) as though it were a Lender, provided such Participant agrees to be subject to Section 5.05 as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 5.04 or 5.06 than the applicable Lender would have been entitled to receive with respect

to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 5.06 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 5.06(e) as though it were a Lender.

(g) Any Lender may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 11.07, disclose to the assignee or Participant or proposed assignee or Participant, any information relating to CMS Energy or any of its Subsidiaries furnished to such Lender by or on behalf of the Borrower; provided that, prior to any such disclosure, the assignee or Participant or proposed assignee or Participant shall agree, in accordance with the terms of Section 11.08, to preserve the confidentiality of any Confidential Information received by it from such Lender.

(h) If any Lender (or any Participant to which such Lender has sold a participation) shall make any demand for payment under Section 5.04(a) or (c), then in the case of any such demand, within 30 days after any such demand (if, but only if, such demanded payment has been made by the Borrower) or notice, the Borrower may, with the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and provided that no Event of Default or Default shall then have occurred and be continuing, demand that such Lender assign, at the sole cost and expense of the Borrower, in accordance with this Section 11.07 to one or more Eligible Assignees designated by the Borrower, all (but not less than all) of such Lender's Commitment and the Loans owing to it within the period ending on the later to occur of (x) the last day in the period described above, as applicable, and (y) the last day of the longest of the then current Interest Periods for such Loans. If any such Eligible Assignee designated by the Borrower shall fail to consummate such assignment on terms acceptable to such Lender, or if the Borrower shall fail to designate any such Eligible Assignees for all or part of such Lender's Commitment or Loans, then such demand by the Borrower shall become ineffective; it being understood for purposes of this subsection (h) that such assignment shall be conclusively deemed to be on terms acceptable to such Lender, and such Lender shall be compelled to consummate such assignment to an Eligible Assignee designated by the Borrower, if such Eligible Assignee (1) shall agree to such assignment by entering into a Lender Assignment with such Lender and (2) shall offer compensation to such Lender in an amount equal to all amounts then owing by the Borrower to such Lender hereunder and under any Promissory Notes made by the Borrower to such Lender, whether for principal, interest, fees, costs or expenses (other than the demanded payment referred to above, and payable by the Borrower as a condition to the Borrower's right to demand such assignment) or otherwise (including, without limitation, to the extent not paid by the Borrower, any payments required pursuant to Section 5.04(b)). In addition, in the case of any amount demanded for payment by any Lender (or such Participant) pursuant to Section 5.04(a) or (c), the Borrower may, in the case of any such Lender, with the approval of the Administrative Agent (which approval shall not be unreasonably withheld) and provided that no Event of Default or Default shall then have occurred and be continuing, terminate all (but not less than all) such Lender's Commitment and prepay all (but not less than all) such Lender's Loans not so assigned, together with all interest accrued thereon to the date of such prepayment and all fees, costs and expenses and other amounts then owing by the Borrower to such Lender hereunder and under any Promissory Notes made by the Borrower to such Lender, at any time from and after such later occurring day in accordance with Sections 2.03 and 5.03 (but without the requirement

stated therein for ratable treatment of the other Lenders), if and only if, after giving effect to such termination and prepayment, the sum of the aggregate principal amount of the Loans of all Lenders then outstanding does not exceed the then remaining Commitments of the Lenders. Notwithstanding anything set forth above in this subsection (h) to the contrary, the Borrower shall not be entitled to compel the assignment by any Lender demanding payment under Section 5.04(a) of its Commitment and Loans or terminate and prepay the Commitment and Loans of such Lender if, prior to or promptly following any such demand by the Borrower, such Lender shall have changed or shall change, as the case may be, its Applicable Lending Office for its Eurodollar Rate Loans so as to eliminate the further incurrence of such increased cost. In furtherance of the foregoing, any such Lender demanding payment or giving notice as provided above agrees to use reasonable efforts to so change its Applicable Lending Office if, to do so, would not result in the incurrence by such Lender of additional costs or expenses which it deems material or, in the sole judgment of such Lender, be inadvisable for regulatory, competitive or internal management reasons.

(i) Anything in this Section 11.07 to the contrary notwithstanding, any Lender may assign and pledge all or any portion of its Commitment and the Loans owing to it to any Federal Reserve Bank (and its transferees) as collateral security pursuant to Regulation A of the Board and any Operating Circular issued by such Federal Reserve Bank. No such assignment shall release the assigning Lender from its obligations hereunder.

SECTION 11.08. 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 11.08. 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.

SECTION 11.09. 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 11.10. 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 11.11. 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 11.12. 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 11.13. 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.

[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: /s/ Alan M. Wright

-----  
Name: Alan M. Wright  
Title: Executive Vice President  
Chief Financial Officer &  
Chief Administrative Officer

CMS ENERGY CORPORATION

By: /s/ Alan M. Wright

-----  
Name: Alan M. Wright  
Title: Executive Vice President  
Chief Financial Officer &  
Chief Administrative Officer

Signature Page to \$150,000,000 Credit Agreement

CITICORP USA, INC., individually as a Lender, as  
Administrative Agent and as Collateral Agent

By: /s/ Dale R. Goncher

-----  
Name: Dale R. Goncher  
Title: Director

Signature Page to \$150,000,000 Credit Agreement

BARCLAYS BANK PLC, individually as a Lender

By: /s/ Sidney G. Dennis

-----  
Name: Sidney G. Dennis  
Title: Director

(The signature pages for the remaining banks are not attached)

Signature Page to \$150,000,000 Credit Agreement

COMMITMENT SCHEDULE

LENDER	COMMITMENT
BARCLAYS BANK PLC	\$25,000,000
BANK OF AMERICA, N.A.	\$25,000,000
JPMORGAN CHASE BANK	\$25,000,000
CITICORP USA, INC.	\$25,000,000
UNION BANK OF CALIFORNIA, N.A.	\$25,000,000
BANK ONE, NA	\$25,000,000
TOTAL:	\$150,000,000

SCHEDULE III

Pledged Capital Stock

-----

GRANTOR

-----

PLEDGED SUBSIDIARIES

-----

CMS Enterprises Company

CMS Generation Co. (100%)  
CMS Gas Transmission Company (100%)  
CMS Capital, L.L.C. (100%)  
CMS Electric and Gas Company (100%)  
CMS Oil and Gas Company (100%)  
CMS Marketing Services and Trading Company (100%)  
CMS International Ventures, L.L.C. (66.7%)

CMS Generation Co.

CMS International Ventures, L.L.C. (33.3%)  
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 Field Services, Inc. (100%)  
Panhandle Eastern Pipe Line Company (100%)

CMS Field Services, Inc.

CMS Gas Processing, L.L.C. (100%)  
CMS Natural Gas Gathering, L.L.C. (100%)

=====

364 DAY CREDIT AGREEMENT

Dated as of July 12, 2002

among

CONSUMERS ENERGY COMPANY,  
as the Borrower,

THE FINANCIAL INSTITUTIONS NAMED HEREIN,  
as the Banks,

and

BANK ONE, NA,  
as Agent

=====

BANC ONE CAPITAL MARKETS, INC.  
as Lead Arranger and Sole Book Runner

=====

TABLE OF CONTENTS

	Page
ARTICLE I	
DEFINITIONS.....	1
1.1	1
1.2	11
1.3	11
ARTICLE II	
THE ADVANCES.....	12
2.1	12
2.2	12
2.3	12
2.4	12
2.5	12
2.6	13
2.7	13
2.8	13
2.9	14
2.10	14
2.11	15
2.12	15
2.13	15
2.14	16
2.15	16
ARTICLE III	
LETTER OF CREDIT FACILITY.....	16
3.1	16
3.2	17
3.3	17
3.4	17
3.5	17
3.6	18
3.7	18
3.8	19

3.9	Indemnification.....	19
3.10	Banks' Indemnification.....	20
3.11	Rights as a Bank.....	20
ARTICLE IV	CHANGE IN CIRCUMSTANCES.....	20
4.1	Yield Protection.....	20
4.2	Replacement Bank.....	21
4.3	Availability of Eurodollar Rate Loans.....	22
4.4	Funding Indemnification.....	22
4.5	Taxes.....	22
4.6	Bank Certificates, Survival of Indemnity.....	24
ARTICLE V	REPRESENTATIONS AND WARRANTIES.....	24
5.1	Incorporation and Good Standing.....	24
5.2	Corporate Power and Authority: No Conflicts.....	24
5.3	Governmental Approvals.....	25
5.4	Legally Enforceable Agreements.....	25
5.5	Financial Statements.....	25
5.6	Litigation.....	25
5.7	Margin Stock.....	26
5.8	ERISA.....	26
5.9	Insurance.....	26
5.10	Taxes.....	26
5.11	Investment Company Act.....	26
5.12	Public Utility Holding Company Act.....	26
5.13	Bonds.....	26
ARTICLE VI	AFFIRMATIVE COVENANTS.....	26
6.1	Payment of Taxes, Etc.....	26
6.2	Maintenance of Insurance.....	26
6.3	Preservation of Corporate Existence, Etc.....	27
6.4	Compliance with Laws, Etc.....	27
6.5	Visitation Rights.....	27
6.6	Keeping of Books.....	27
6.7	Reporting Requirements.....	27
6.8	Use of Proceeds.....	29

6.9	Maintenance of Properties, Etc.....	29
6.10	Bonds.....	29
6.11	Post-Closing Opinion.....	29
ARTICLE VII	NEGATIVE COVENANTS.....	29
7.1	Liens.....	30
7.2	Sale of Assets.....	31
7.3	Mergers, Etc.....	31
7.4	Compliance with ERISA.....	31
7.5	Change in Nature of Business.....	31
7.6	Restricted Payments.....	31
7.7	Off-Balance Sheet Liabilities.....	31
ARTICLE VIII	FINANCIAL COVENANTS.....	32
8.1	Debt to Capital Ratio.....	32
8.2	Interest Coverage Ratio.....	32
ARTICLE IX	EVENTS OF DEFAULT.....	32
9.1	Events of Default.....	32
9.2	Remedies.....	33
ARTICLE X	WAIVERS, AMENDMENTS AND REMEDIES.....	34
10.1	Amendments.....	34
10.2	Preservation of Rights.....	35
ARTICLE XI	CONDITIONS PRECEDENT.....	35
11.1	Initial Credit Extension.....	35
11.2	Each Credit Extension.....	36
ARTICLE XII	GENERAL PROVISIONS.....	37
12.1	Successors and Assigns.....	37
12.2	Survival of Representations.....	38
12.3	Governmental Regulation.....	38
12.4	Taxes.....	39
12.5	Choice of Law.....	39
12.6	Headings.....	39
12.7	Entire Agreement.....	39
12.8	Expenses; Indemnification.....	39
12.9	[Intentionally Omitted].....	40

12.10	Severability of Provisions.....	40
12.11	Setoff.....	40
12.12	Ratable Payments.....	40
12.13	Nonliability of Bank.....	40
ARTICLE XIII	THE AGENT.....	41
13.1	Appointment.....	41
13.2	Powers.....	41
13.3	General Immunity.....	41
13.4	No Responsibility for Loans, Recitals, Etc.....	41
13.5	Action on Instructions of Banks.....	41
13.6	Employment of Agents and Counsel.....	42
13.7	Reliance on Documents; Counsel.....	42
13.8	Agent's Reimbursement and Indemnification.....	42
13.9	Rights as a Lender.....	42
13.10	Bank Credit Decision.....	42
13.11	Successor Agent.....	42
13.12	Agent and Arranger Fees.....	43
ARTICLE XIV	NOTICES.....	43
14.1	Giving Notice.....	43
14.2	Change of Address.....	43
ARTICLE XV	.....	44

SCHEDULES

PRICING SCHEDULE

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

364 DAY CREDIT AGREEMENT

This 364 Day Credit Agreement, dated as of July 12, 2002, 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.

WITNESSETH:

WHEREAS, the Company, certain banks and Bank One, NA (formerly known as The First National Bank of Chicago), as agent, are parties to a Credit Agreement dated as of July 14, 1999 (as amended, the "Prior Agreement"); and

WHEREAS, the Company has requested, and the Banks have agreed to enter into, a 364 day 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 364 Day 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 least of (i) the Aggregate Commitment, (ii) the sum of the Face Amount of Interest Bearing Bonds and the Adjusted Face Amount of Zero Rate Bonds and (iii) \$235,000,000 (or, if the Company has delivered Bonds to the Agent in an aggregate Face Amount of \$265,000,000 or more, \$250,000,000).

"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 Consolidated Net Income 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, (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, and (d) the pre-tax write-off for the fiscal period ending December 31, 2001 in an amount not to exceed \$126,000,000 arising from the loss on Power Purchase Agreement -- MCV Partnership, 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, 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.

"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 July 15, 2002.

"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 51% or more of the Aggregate Commitment as of such date or, if the Aggregate Commitment has been terminated, Banks in the aggregate holding 51% or more 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.

"PBG" 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" - see the recitals.

"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 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.

"Term Loan Agreement" means the Term Loan Agreement, dated as of July 12, 2002, by and among the Company, the various financial institutions from time to time parties thereto, and Citicorp USA, Inc., as Agent, as the same may be amended, restated, supplemented or otherwise modified from time to time.

"Termination Date" means the earlier of (i) July 11, 2003, 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. The Aggregate Outstanding Credit Exposure and all other unpaid obligations of the Company hereunder shall be paid in full on the Termination Date.

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.

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 of any Advance maintained as a Floating Rate Advance will take effect simultaneously with each change in the Floating Rate.

(a) 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 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 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 (such fee being the "LC Fee"). 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 0.125% 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.

(a) 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.

(a) 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 (copies of which have been furnished to each Bank), and the unaudited balance sheet of the Company and its Consolidated Subsidiaries as at March 31, 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 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 (except to the extent described in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 as filed with the SEC, copies of which have been furnished to each Bank), 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 for the year ended December 31, 2001, Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and Current Report on Form 8-K filed by the Company on May 29, 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 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.

6.11 Post-Closing Opinion. Within ten days after the date hereof, the Company shall cause to be delivered to the Agent a favorable opinion of 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 opinion shall be addressed to the Agent and the Banks and shall be satisfactory in form and substance to the Agent.

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 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 Securitized Bonds; and

(n) 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.

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 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) in the aggregate in excess of \$150,000,000 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, Section 6.11, 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 \$250,000,000 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; and (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. 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 satisfactory to the Agent that the initial "Credit Extension" under and as defined in the Term Loan Agreement shall have been made or shall be made simultaneously with the initial Credit Extension hereunder.

(i) 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.

(j) 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.

(a) 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 12.11 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 12.11 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.

(b) 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.

(c) 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.

(d) 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 [Intentionally Omitted]

12.10 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.

12.11 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 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.

12.13 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 July 9, 2002, 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.

[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, 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 and Treasurer

212 West Michigan Avenue  
Jackson, MI 49201  
Attention: Laura L. Mountcastle  
Facsimile No.: (517)788-1006  
Confirmation (Phone) No: (517)788-0123  
E-Mail Address: llmountc@cmsenergy.com

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

CITIBANK, N.A.

By: /s/ J. Nicholas McKee

-----  
Name: J. Nicholas McKee  
Title: Managing Director

ADDRESS: 388 Greenwich St., 21st FL  
New York, NY 10013

Attention: Nick McKee  
Facsimile No.: (212) 816-8098  
Confirmation (Phone) No: (212) 816-8592  
E-Mail Address: j.nicholas.mckee@citi.com

JP MORGAN CHASE BANK

By: /s/ Thomas Casey

-----  
Thomas Casey  
Vice President

ADDRESS (CREDIT MATTERS ONLY):  
270 Park Avenue  
New York, New York 10017  
Attention Thomas Casey  
Facsimile No.: (212) - 270-3089  
Confirmation (Phone) No: (212) 270-5305  
E-Mail Address: thomas.casey@jpmorgan.com

BARCLAYS BANK PLC

By:/s/ Sydney G. Dennis

-----  
Name: Sydney G. Dennis  
Title: Director

ADDRESS: 222 BROADWAY  
NEW YORK, NEW YORK 10038

Attention: Sydney G. Dennis  
Facsimile No.: (212) 412-2241 -  
Confirmation (Phone) No: (212) 412-2470 -  
E-Mail Address: sydney.dennis@barclayscapital.com

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Kevin M. Zitar

-----  
Name: Kevin M. Zitar  
Title: Vice President

ADDRESS: 445 South Figueroa Street, 15th Floor  
Los Angeles CA 90071

Attention: Kevin Zitar  
Facsimile No.: (213)236-4096  
Confirmation (Phone) No: (213)236-5503  
E-Mail Address: kevin.zitar@uboc.com

COMERICA BANK

By: /s/ David C. Bird

-----  
Name: David C. Bird  
Title: Vice President

ADDRESS: 500 Woodward Ave  
MC 3268 9th Floor  
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

EXHIBIT A

[FORM OF SUPPLEMENTAL INDENTURE]

-----  
-----  
EIGHTY-FIRST SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR

FIRST MORTGAGE BONDS,

COLLATERAL SERIES (INTEREST BEARING) DUE 2003

and

COLLATERAL SERIES (ZERO RATE) DUE 2003

-----  
DATED AS OF JULY 12, 2002

-----  
CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,

TRUSTEE  
-----  
-----

THIS EIGHTY-FIRST SUPPLEMENTAL INDENTURE, dated as of July 12, 2002 (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 364 Day Credit Agreement dated as of July 12, 2002 (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, Collateral Series (Interest Bearing) due 2003, 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 July 11, 2003; and (ii) a new series of bonds, to be designated First Mortgage Bonds, Collateral Series (Zero Rate) due 2003,

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 July 11, 2003; 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  
COLLATERAL SERIES (INTEREST BEARING) DUE 2003

No. 1

\$22,500,000

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 364 Day Credit Agreement dated as of July 12, 2002 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 Twenty-Two Million Five Hundred Thousand Dollars (\$22,500,000) 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 July 11, 2003 (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 July 12, 2002. 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, Collateral Series (Interest Bearing) due 2003.

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 (INTEREST BEARING) DUE 2003

This bond is one of the bonds of a series designated as First Mortgage Bonds, Collateral Series (Interest Bearing) due 2003 (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  
COLLATERAL SERIES (ZERO RATE) DUE 2003

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 364 Day Credit Agreement dated as of July 12, 2002 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 July 11, 2003 (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, Collateral Series (Zero Rate) due 2003 is of (y) the sum of the Discounted Amount of the outstanding First Mortgage Bonds, Collateral Series (Zero Rate) due 2003 and the Face Amount (as defined in the Credit Agreement) of the outstanding First Mortgage Bonds, Collateral Series (Interest Bearing) due 2003.

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  
COLLATERAL SERIES (ZERO RATE) DUE 2003

This bond is one of the bonds of a series designated as First Mortgage Bonds, Collateral Series (Zero Rate) due 2003 (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 \$22,500,000 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 \$22,500,000, shall mature on July 11, 2003 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 July 11, 2003 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 line 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 line 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 degrees 21' 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 degrees 53' 30"  
East along North section line 105.78 feet to point of beginning; thence  
South 89 degrees 53' 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  
degrees 42' 56" W and 50 feet measured S88 degrees 14' 04" W from the South  
quarter corner, Section 8, T5N, R5E; thence S88 degrees 14' 04" W a  
distance of 550 feet; thence N01 degrees 42' 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 degrees 14' 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 Block three (3) 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 degrees 22' 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 9401(5) of the Michigan Uniform Commercial Code (M.C.L. 440.9401(5)) as defined in M.C.L. 440.9105(n).

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

By \_\_\_\_\_  
Printed  
Title

\_\_\_\_\_  
Printed  
Title

Signed, sealed and delivered  
by CONSUMERS ENERGY COMPANY  
in the presence of

\_\_\_\_\_  
Name Printed

\_\_\_\_\_  
Name Printed

STATE OF MICHIGAN )  
                          ss.  
COUNTY OF JACKSON )

The foregoing instrument was acknowledged before me this \_\_\_ day of  
July, 2002, by \_\_\_\_\_, \_\_\_\_\_ of CONSUMERS ENERGY  
COMPANY, a Michigan corporation, on behalf of the corporation.

\_\_\_\_\_  
\_\_\_\_\_, Notary Public  
\_\_\_\_\_  
County, Michigan

My Commission Expires: \_\_\_\_\_, 200\_\_

JPMORGAN CHASE BANK, AS TRUSTEE

By \_\_\_\_\_  
Printed  
Title

S-1

STATE OF NEW YORK )  
                          ss.  
COUNTY OF NEW YORK )

The foregoing instrument was acknowledged before me this \_\_\_ day of July, 2002, by \_\_\_\_\_, \_\_\_\_\_ of JPMORGAN CHASE BANK, a New York corporation, on behalf of the corporation.

\_\_\_\_\_, Notary Public  
\_\_\_\_\_, County, New York

My Commission Expires: \_\_\_\_\_, 200\_\_

Prepared by:  
Kimberly C. Wilson  
212 West Michigan Avenue  
Jackson, MI 49201

When recorded, return to:  
Consumers Energy Company  
General Services Real Estate Department  
Attn: Nancy P. Fisher, P-21-410B  
1945 W. Parnall Road  
Jackson, MI 49201

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 for the year ended December 31, 2001, quarterly report on Form 10-Q for the quarter ended March 31, 2002, and current report on Form 8-K filed by the Company on May 29, 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 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).

REQUIRED OPINIONS FROM

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

1. 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.

2. 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.

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 364 Day Credit Agreement dated as of July 12, 2002 (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 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		\$
plus	(e) For any fiscal period ending prior to March 31, 2003, pre-tax write-off for the fiscal		\$

period ending December 31, 2001 in an amount not to exceed  
\$126,000,000 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 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 364 Day Credit Agreement dated as of July 12, 2002 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/ Credit Exposure Assigned*	Commitment/ Outstanding Credit Exposure2	Percentage Assigned of Outstanding Credit Exposure2
_____	\$ _____	\$ _____	_____ %	_____ %
_____	\$ _____	\$ _____	_____ %	_____ %
_____	\$ _____	\$ _____	_____ %	_____ %

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. IC 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 July 12, 2002

-----

Relating to  
First Mortgage Bonds,

Collateral Series (Zero Rate) due 2003

and

Collateral Series (Interest Bearing) due 2003

-----

G-1

THIS BOND DELIVERY AGREEMENT (this "Agreement"), dated as of July 12, 2002, is between Consumers Energy Company (the "Company"), and Bank One, NA, as agent (the "Agent") under the 364 Day Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") dated as of July 12, 2002, 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, Collateral Series (Interest Bearing) due 2003 and its First Mortgage Bonds, Collateral Series (Zero Rate) due 2003, in the aggregate principal amount of \$250,000,000 (collectively, the "Bonds"), to be issued under and in accordance with the Eighty-first Supplemental Indenture dated as of July 12, 2002 (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 \$250,000,000, maturing on July \_\_, 2003 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

APPLICABLE MARGIN	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS	LEVEL VI STATUS
Eurodollar Rate	1.500%	2.000 %	2.000%	2.500%	2.750%	3.000 %
Alternate Base Rate	0.500%	1.000 %	1.000%	1.500%	1.750%	2.000 %

APPLICABLE FEE RATE	LEVEL I STATUS	LEVEL II STATUS	LEVEL III STATUS	LEVEL IV STATUS	LEVEL V STATUS	LEVEL VI STATUS
Commitment Fee Rate	0.375%	0.375 %	0.375%	0.500%	0.500%	0.500%

For the purposes of this Schedule, the following terms have the following meanings, subject to the final paragraph of this Schedule:

"Level I Status" exists at any date if, on such date, the Company's Moody's Rating is Ba1 or better and the Company's S&P Rating is BBB+ or better.

"Level II Status" exists at any date if, on such date, (i) the Company has not qualified for Level I Status and (ii) the Company's Moody's Rating is Baa2 or better and the Company's S&P Rating is BBB or better.

"Level III Status" exists at any date if, on such date, (i) the Company has not qualified for Level I Status or Level II Status and (ii) the Company's Moody's Rating is Baa3 or better and the Company's S&P Rating is BBB- or better.

"Level IV Status" exists at any date if, on such date, (i) the Company has not qualified for Level I Status, Level II Status or Level III Status and (ii) the Company's Moody's Rating is Ba1 or better and the Company's S&P Rating is BB+ or better.

"Level V Status" exists at any date if, on such date, (i) the Company has not qualified for Level I Status, Level II Status, Level III Status or Level IV Status and (ii) the Company's Moody's Rating is Ba2 or better and the Company's S&P Rating is BB or better.

"Level VI Status" exists at any date if, on such date, the Company has not qualified for Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

"Moody's Rating" means, at any time, the rating issued by Moody's and then in effect with respect to the Company's Senior Debt.

"S&P Rating" means, at any time, the rating issued by S&P and then in effect with respect to the Company's Senior Debt.

"Status" means either Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status or Level VI Status.

The Applicable Margin and Commitment Fee Rate shall be determined in accordance with the foregoing table based on the Company's Status as determined from its then-current Moody's and S&P Ratings. So long as the Company has Level III Status or above, Status shall be determined by the higher of the Moody's and S&P Ratings (or the midpoint Status in the event the Moody's and S&P Ratings are separated by more than one Status level); so long as the Company has Level IV Status or below, Status shall be determined by the lower of the Moody's and S&P Ratings. The credit rating in effect on any date for the purposes of this Schedule is that in effect at the close of business on such date. If at any time the Company has no Moody's Rating or no S&P Rating, Level VI Status shall exist.

COMMITMENT SCHEDULE

BANK  
COMMITMENT  
-----  
---- Bank  
One, NA \$  
47,000,000  
Citibank,  
N.A. \$  
47,000,000  
JPMorgan  
Chase Bank  
\$  
47,000,000  
Barclays  
Bank PLC \$  
47,000,000  
Union Bank  
of  
California,  
N.A. \$  
47,000,000  
Comerica  
Bank \$  
15,000,000  
AGGREGATE  
COMMITMENT  
\$250,000,000

=====

TERM LOAN AGREEMENT

Dated as of July 12, 2002

among

CONSUMERS ENERGY COMPANY,  
as the Borrower,

THE FINANCIAL INSTITUTIONS NAMED HEREIN,  
as the Banks,

and

CITICORP USA, INC.,  
as Agent

=====

SALOMON SMITH BARNEY INC.

as Lead Arranger and Sole Book Runner

=====

TABLE OF CONTENTS

	Page
ARTICLE I	DEFINITIONS.....1
1.1	Definitions.....1
1.2	Singular and Plural.....11
1.3	Accounting Terms.....11
ARTICLE II	THE TERM LOANS.....12
2.1	Initial Term Loans.....12
2.2	Deferred Draw Term Loans.....12
2.3	Making of Term Loans.....12
2.4	Repayment of Term Loans.....12
2.5	Commitment Fee and Reductions of Commitment.....13
2.6	Optional Principal Payments.....13
2.7	Mandatory Prepayments.....14
2.8	Conversion or Continuation.....14
2.9	Interest Rates, Interest Payment Dates.....15
2.10	Rate after Maturity.....15
2.11	Method of Payment.....15
2.12	Evidence of Obligation; Telephonic Notices.....16
2.13	Lending Installations.....16
2.14	Non-Receipt of Funds by the Agent.....17
ARTICLE III	RESERVED.....17
ARTICLE IV	CHANGE IN CIRCUMSTANCES.....17
4.1	Yield Protection.....17
4.2	Replacement Bank.....18
4.3	Availability of Eurodollar Rate Loans.....18
4.4	Funding Indemnification.....19
4.5	Taxes.....19
4.6	Bank Certificates.....21
ARTICLE V	REPRESENTATIONS AND WARRANTIES.....21
5.1	Incorporation and Good Standing.....21
5.2	Corporate Power and Authority: No Conflicts.....21
5.3	Governmental Approvals.....21
5.4	Legally Enforceable Agreements.....21
5.5	Financial Statements.....22
5.6	Litigation.....22
5.7	Margin Stock.....22
5.8	ERISA.....22
5.9	Insurance.....22
5.10	Taxes.....22

5.11	Investment Company Act.....	23
5.12	Public Utility Holding Company Act.....	23
5.13	Bonds.....	23
ARTICLE VI	AFFIRMATIVE COVENANTS.....	23
6.1	Payment of Taxes.....	23
6.2	Maintenance of Insurance.....	23
6.3	Preservation of Corporate Existence, Etc.....	23
6.4	Compliance with Laws.....	23
6.5	Visitation Rights.....	24
6.6	Keeping of Books.....	24
6.7	Reporting Requirements.....	24
6.8	Use of Proceeds.....	26
6.9	Maintenance of Properties, Etc.....	26
6.10	Bonds.....	26
6.11	Post-Closing Opinion.....	26
ARTICLE VII	NEGATIVE COVENANTS.....	26
7.1	Liens.....	26
7.2	Sale of Assets.....	27
7.3	Mergers, Etc.....	28
7.4	Compliance with ERISA.....	28
7.5	Change in Nature of Business.....	28
7.6	Restricted Payments.....	28
7.7	Off-Balance Sheet Liabilities.....	28
ARTICLE VIII	FINANCIAL COVENANTS.....	28
8.1	Debt to Capital Ratio.....	28
8.2	Interest Coverage Ratio.....	28
ARTICLE IX	EVENTS OF DEFAULT.....	29
9.1	Events of Default.....	29
9.2	Remedies.....	30
ARTICLE X	WAIVERS, AMENDMENTS AND REMEDIES.....	30
10.1	Amendments.....	30
10.2	Preservation of Rights.....	31
ARTICLE XI	CONDITIONS PRECEDENT.....	31
11.1	Initial Term Loans.....	31
11.2	Each Term Loan.....	32
11.3	Extension Option.....	33
ARTICLE XII	GENERAL PROVISIONS.....	33
12.1	Successors and Assigns.....	33
12.2	Survival of Representations.....	36
12.3	Governmental Regulation.....	36

12.4	Taxes.....	36
12.5	Choice of Law; Waiver of Jury Trial.....	36
12.6	Headings.....	36
12.7	Entire Agreement.....	36
12.8	Expenses; Indemnification.....	37
12.9	[Intentionally Omitted.].....	37
12.10	Severability of Provisions.....	37
12.11	Setoff.....	37
12.12	Ratable Payments.....	37
12.13	Nonliability of Banks.....	38
ARTICLE XIII	THE AGENT.....	38
13.1	Appointment.....	38
13.2	Powers.....	38
13.3	General Immunity.....	38
13.4	No Responsibility for Loans, Recitals, Etc.....	38
13.5	Action on Instructions of Banks.....	39
13.6	Employment of Agents and Counsel.....	39
13.7	Reliance on Documents; Counsel.....	39
13.8	Agent's Reimbursement and Indemnification.....	39
13.9	Rights as a Lender.....	39
13.10	Bank Credit Decision.....	40
13.11	Successor Agent.....	40
13.12	Agent and Arranger Fees.....	40
ARTICLE XIV	NOTICES.....	40
14.1	Giving Notice.....	40
14.2	Change of Address.....	41
ARTICLE XV	COUNTERPARTS.....	42

SCHEDULES

Commitment Schedule

EXHIBITS

Exhibit A-1	Form of Supplemental Indenture (Initial Borrowing Date)
Exhibit A-2	Form of Supplemental Indenture (Extension Option)
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-1	Form of Bond Delivery Agreement (Initial Borrowing Date)
Exhibit G-2	Form of Bond Delivery Agreement (Extension Option)

TERM LOAN AGREEMENT

This Term Loan Agreement, dated as of July 12, 2002, 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 USA, Inc., a Delaware corporation, as Agent.

ARTICLE I  
DEFINITIONS

1.1 Definitions. As used in this Agreement:

"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, 2.50% per annum, and with respect to Floating Rate Loans at any time, 1.50% per annum.

"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.

"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.

"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, to be delivered substantially in the form of Exhibit G-1 on the Initial Borrowing Date and substantially in the form of Exhibit G-2 in connection with the Extension Option.

"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.

"Borrowing Date" means a date on which a Term Loan is made hereunder.

"Borrowing Notice" - see Section 2.1.

"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.

"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 USA, Inc., a Delaware corporation, in its individual capacity, and its successors and assigns.

"CMS" means CMS Energy Corporation, a Michigan corporation.

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

"Commitments" means the Initial Term Loan Commitments and the Deferred Draw Term Loan Commitments.

"Commitment Fee" - see Section 2.5.

"Commitment Schedule" means the Schedule identifying each Bank's Initial Term Loan Commitment and Deferred Draw Term Loan Commitment as of the date hereof attached hereto and identified as such.

"Company" - see the preamble.

"Consolidated EBIT" means Consolidated Net Income 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, (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, and (d) the pre-tax write-off for the fiscal period ending December 31, 2001 in an amount not to exceed \$126,000,000 arising from the loss on Power Purchase Agreement -MCV Partnership, 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, 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 2.8(ii).

"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.

"Deferred Draw Period" means the period beginning on August 31, 2002 (or such earlier date as may be agreed to by the Arranger and the Company) through and including September 30, 2002.

"Deferred Draw Term Loan" -- see Section 2.2.

"Deferred Draw Term Loan Commitment" means, for each Bank, the obligation of such Bank to make a term loan to the Company during the Deferred Draw Period in an amount not exceeding the amount set forth on the Commitment Schedule as its Deferred Draw Term Loan Commitment 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.

"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.

"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.

"Extended Maturity Date" means July 11, 2004.

"Extension Option" -- see Section 2.4.

"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 July 12, 2002 among the Company, the Arranger, the Agent and the Banks party to this Agreement as of the date hereof.

"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.

"Initial Borrowing Date" means July 15, 2002.

"Initial Term Loan Commitment" means, for each Bank, the obligation of such Bank to make a term loan to the Company on the Initial Borrowing Date in an amount not exceeding the amount set forth on the Commitment Schedule as its Initial Term Loan Commitment.

"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 Maturity Date or the Extended Maturity Date, as applicable.

"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 July 11, 2003.

"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.

"Obligations" means all unpaid principal of and accrued and unpaid interest on the Term Loans, all accrued and unpaid Commitment Fees 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).

"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.

"Prior Agreement" means that certain Credit Agreement dated as of July 14, 1999, as amended, among the Company, certain banks and Bank One, NA (formerly known as The First National Bank of Chicago), 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 any Bank, at any time, the percentage obtained by dividing (i) the sum of such Bank's Deferred Draw Term Loan Commitment, if any, at such time plus the outstanding principal balance of such Bank's Term Loans at such time by (ii) the sum of the aggregate amount of all of the Deferred Draw Term Loan Commitments plus 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.

"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 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-1 with respect to the Bonds issued on the Initial Borrowing Date and substantially in the form of Exhibit A-2 with respect to the Bonds issued in connection with the Extension Option.

"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 Loans" means the Initial Term Loans and the Deferred Draw Term Loans.

"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.

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 Initial 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 Initial Borrowing Date in an amount equal to such Bank's Initial Term Loan Commitment (each individually, an "Initial Term Loan" and, collectively, the "Initial Term Loans"). The Company shall give the Agent irrevocable notice (a "Borrowing Notice") not later than 11:00 a.m. (New York time) on the Initial Borrowing Date, specifying (i) the Borrowing Date, which shall be the Initial Borrowing Date, and (ii) the aggregate amount of the Initial Term Loans. The Initial 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 2.8.

2.2 Deferred Draw 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 any Business Day during the Deferred Draw Period in an amount equal to such Bank's Deferred Draw Term Loan Commitment (each individually, a "Deferred Draw Term Loan" and, collectively, the "Deferred Draw Term Loans"). The Company shall give the Agent an irrevocable Borrowing Notice not later than 11:00 a.m. (New York time) on the third Business Day prior to the proposed Borrowing Date, specifying (i) the Borrowing Date, which shall be a Business Day, (ii) the aggregate amount of the Deferred Draw Term Loans, (iii) whether the Deferred Draw Term Loans initially will be Floating Rate Loans or Eurodollar Rate Loans and (iv) in the case of Eurodollar Rate Loans, the initial Interest Period applicable thereto. If the Deferred Draw Term Loans are not borrowed by the Company during the Deferred Draw Period, the Deferred Draw Term Loan Commitments shall terminate on the last day of the Deferred Draw Period unless earlier terminated by the Company pursuant to Section 2.5(b). The Deferred Draw Term Loans, if requested, shall be drawn in a single borrowing, and the excess, if any, of the aggregate Deferred Draw Term Loan Commitments on the Borrowing Date over the aggregate amount of the Deferred Draw Term Loans requested by the Company on such Borrowing Date shall terminate on such Borrowing Date.

2.3 Making of Term Loans. Promptly after receipt thereof, the Agent will notify each Bank of the contents of each Borrowing Notice. Not later than 1:00 p.m. (New York time) on each Borrowing 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.

2.4 Repayment of Term Loans. The Term Loans shall be paid in full on the Maturity Date; provided, however, that the Company may elect to extend the maturity of the Term Loans to the Extended Maturity Date (the "Extension Option") on the terms and conditions contained in this Section 2.4 and in Section 11.3. The Company may elect the Extension Option by (i) providing irrevocable notice of such election to the Agent not more than 60 days and not less than 15 days prior to the Maturity Date and (ii) paying an extension fee to the Agent on the Maturity Date in an aggregate amount equal to 0.125% of the aggregate outstanding principal amount of the Term Loans on the Maturity Date, for the account of the Banks in accordance with

their respective Pro Rata Shares. Promptly after receipt thereof, the Agent will send a copy of such notice to each Bank. Notwithstanding the foregoing and the giving of such notice, if a Default or Event of Default has occurred and is continuing on the Maturity Date, the Extension Option shall not be available and the Term Loan shall be paid in full on the Maturity Date.

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 rate of 0.50% per annum on the aggregate Deferred Draw Term Loan Commitments from the Initial Borrowing Date to but not including the earlier of (i) the Borrowing Date of the Deferred Draw Term Loans and (ii) the date on which the Deferred Draw Term Loan Commitments are terminated in full (the earlier of such dates being the "Termination Date"). 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.

(a) The Company may permanently reduce the aggregate Deferred Draw Term Loan Commitments 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. All accrued Commitment Fees shall be payable on the effective date of any termination of the obligation of the Banks to make Deferred Draw Term Loans hereunder. Upon any permanent reduction in the aggregate Deferred Draw Term Loan Commitments 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 the Company remains in compliance with Section 6.10.

2.6 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 2.6 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 2.6, 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.

2.7 Mandatory Prepayments. (a) 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 term of this Agreement 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 2.7(a), 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.

(a) If the Company fails to execute any amendment to the Loan Documents required by the Fee Letter and such failure continues after written notice thereof from the Arranger, then on the third Business Day after receipt by the Company of such notice, the Commitments shall be terminated and the entire principal amount of the Term Loans outstanding hereunder, all interest thereon and all other Obligations 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 Company.

2.8 Conversion or Continuation. (i) 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 2.8 shall be in a minimum amount of \$10,000,000 and in integral multiples of \$1,000,000 in excess of that amount.

(ii) To convert or continue a Loan under Section 2.8(i), 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 2.8(ii) (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.

2.9 Interest Rates, Interest Payment Dates. (a) Subject to Section 2.10, 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.

2.10 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 1% or the Floating Rate plus 1%.

2.11 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.

2.12 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.

2.13 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.

2.14 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 (u) 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. 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 Deferred Draw Term Loan Commitment, if any, and 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

(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 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 3.5) 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 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 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 (copies of which have been furnished to each Bank), and the unaudited balance sheet of the Company and its Consolidated Subsidiaries as at March 31, 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 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 for the quarter ended March 31, 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 for the year ended December 31, 2001, Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and Current Report on Form 8-K filed by the Company on May 29, 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 Initial Borrowing 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 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 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 ratio specified in Section 8.1 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 ratio specified in Section 8.1. 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 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 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 Initial Borrowing Date and continuing until the Commitments have terminated and 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 sum of the aggregate Commitments plus the aggregate outstanding Term Loans.

6.11 Post-Closing Opinion. Within ten days after the date hereof, the Company shall cause to be delivered to the Agent a favorable opinion of 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 opinion shall be addressed to the Agent and the Banks and shall be satisfactory in form and substance to the Agent.

#### 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;

(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; and

(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.

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 \$150,000,000 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 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, 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 2.5(b), 2.6 or 2.7(a) or exchanged for a new series of Bonds pursuant to the Company's exercise of the Extension Option); 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, (i) declare the Commitments 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 Obligations shall become and be forthwith due and payable, 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 Section 9.1(e) above, the Commitments 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.

## 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) Extend the Deferred Draw Period or increase the amount of the Commitment of any Bank hereunder, or permit the Company to assign its rights under this Agreement.

(d) Amend Section 6.10 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 Initial Term Loans. The Banks shall not be required to make the Initial Term Loans 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 Loan 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 Loan 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 \$300,000,000 pursuant to the Bond Delivery Agreement.

(f) 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) 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.

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 Term Loans hereunder be, paid in full.

(h) Evidence satisfactory to the Agent that the initial "Credit Extension" under and as defined in the Credit Agreement shall have been made or shall be made simultaneously with the Initial Term Loans hereunder.

(i) 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.

(j) 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 Term Loans 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 pursuant to the Fee Letter and (ii) to the Agent and the Arranger the fees required to be paid to them on the Initial Borrowing Date pursuant to the fee letter described in Section 13.12.

11.2 Each Term Loan. The Banks shall not be required to make any Term Loan 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 and (iii) all legal matters incident to the making of such Term Loan are satisfactory to the Banks and their counsel. Each Borrowing Notice shall constitute a representation and warranty by the Company that the conditions contained in subsections (i) and (ii) above will be satisfied on the relevant Borrowing Date.

11.3 Extension Option. It shall be a condition precedent to the extension of the maturity of the Term Loans to the Extended Maturity Date that the Company shall have furnished to the Agent with sufficient copies for the Banks:

(a) 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 equal to the aggregate principal amount of the Term Loans outstanding on the Maturity Date pursuant to the Bond Delivery Agreement.

(b) Favorable opinions of:

(i) Michael D. VanHemert, Esq., Deputy General Counsel of CMS, or other counsel satisfactory to the Agent, as to the matters set forth in Exhibit B-1 (other than paragraphs 4 and 10 thereof) with respect to the Supplemental Indenture and the Bonds and as to such other matters as the Agent may reasonably request; and

(ii) Miller, Canfield, Paddock & 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.

(c) 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 Supplemental Indenture and issue the Bonds thereunder.

(d) Such other documents as the Agent may reasonably request.

#### ARTICLE XII GENERAL PROVISIONS

12.1 Successors and Assigns. 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.

(a) 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 Commitments and its outstanding Term Loans), 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 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 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.

(b) 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 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 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 after giving effect to such assignment the assigning Bank shall have Commitments and Term Loans in the aggregate of not less than \$1,000,000 (unless otherwise consented to by the Agent). 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; (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 Term Loans to the extent required in connection with the physical settlement of any Bank's obligations pursuant thereto.

(c) 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.

(d) 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 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.

(e) 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 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.

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 NONEXCLUSIVE 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 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 Loan 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 any Bank in connection with the collection and enforcement of the Loan Documents. The Company further agrees to indemnify the Agent, the Arranger 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 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, the Arranger 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, 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.

ARTICLE XIII  
THE AGENT

13.1 Appointment. Citicorp USA, 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,

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, (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 Loan Documents, and for which the Agent is not entitled to reimbursement by the Company under the Loan 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 Loan 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 Commitments 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 39

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 July 12, 2002, 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, at its address or facsimile number set forth on the signature pages hereof, except that Borrowing Notices and 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, (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.

[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 and Treasurer

212 West Michigan Avenue  
Jackson, MI 49201

CITICORP USA, INC., as Agent

By: /s/ Dale R. Goncher

-----  
Name: Dale R. Goncher  
Title: Director

390 Greenwich Street  
New York, NY 10023  
Attention: Dale Goncher  
Facsimile No.: (212) 723-8540  
Confirmation No: (212) 723-6732

EXHIBIT A-1

[FORM OF SUPPLEMENTAL INDENTURE (INITIAL BORROWING DATE)]

EXHIBIT A-2

[FORM OF SUPPLEMENTAL INDENTURE (EXTENSION OPTION)]

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 for the year ended December 31, 2001, quarterly report on Form 10-Q for the quarter ended March 31, 2002, and current report on Form 8-K filed by the Company on May 29, 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 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

1. The execution and delivery of the Loan 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.

2. 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 proceeding 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 Term Loan Agreement dated as of July 12, 2002 (the "Loan Agreement"; the terms defined therein being used herein as so defined) among the Company, various financial institutions and Citicorp USA, 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

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 to 1.00  
 ---  
 (total of A divided by total of B)

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)	For any fiscal period ending prior to March 31, 2003, pre-tax write-off for the fiscal period ending December 31, 2001 in an amount not to exceed \$126,000,000 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	to 1.00 ---
		(total of A divided by total of B)	

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 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 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 USA, Inc., as the Agent under the Loan Agreement.
- 5 Loan Agreement: The Term Loan Agreement dated as of July 12, 2002 among Consumers Energy Company, the Banks party thereto, and Citicorp USA, Inc., as Agent.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitments/Outstanding Term Loans for all Banks*	Amount of Commitments/Outstanding Term Loans Assigned*	Percentage Assigned of Commitments/Outstanding Term Loans (1)
-----	-----	-----	-----
(2)	\$ -----	\$ -----	----- %
-----	\$ -----	\$ -----	----- %
-----	\$ -----	\$ -----	----- %

7. Trade Date: \_\_\_\_\_ (3)

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] (4) Accepted:

CITICORP USA, INC., 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 Commitments/Term Loans of all Banks thereunder.  
 (2) Fill in the appropriate terminology for the types of facilities under the Loan Agreement that are being assigned under this Assignment (e.g. "Initial Term Loan Commitment," "Deferred Draw Term Loan Commitment," etc.)  
 (3) Insert if satisfaction of minimum amounts is to be determined as of the Trade Date.  
 (4) 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) 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 New York.

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)  
-----

-----  
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](mailto: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:  
-----

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: Jason Trala  
Telephone: 302-894-6086  
Fax: 302-894-6120  
  
Address: 2 Penn's Way  
Suite 200  
New Castle, De 19720

Citibank, NA  
ABA #: 021-00-0089  
Acct Name: Agency 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](mailto:oploanswebadmin@ssmb.com) with your contact information and the deal name to request a user ID/password to submit/modify Admin Details online.

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 \_\_\_\_.

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.

FORM OF BOND DELIVERY AGREEMENT (INITIAL BORROWING DATE)

BOND DELIVERY AGREEMENT

CONSUMERS ENERGY COMPANY

TO

CITICORP USA, INC., AS AGENT

Dated as of July 12, 2002

-----

Relating to  
First Mortgage Bonds, Collateral Series due July 11, 2003

-----

THIS BOND DELIVERY AGREEMENT (this "Agreement"), dated as of July 12, 2002, is between Consumers Energy Company (the "Company"), and Citicorp USA, 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 July 12, 2002, 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 entered into the Loan 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, Collateral Series due 2003, in the aggregate principal amount of \$300,000,000 (the "Bonds"), to be issued under and in accordance with the Eighty-second Supplemental Indenture dated as of July 12, 2002 (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 \$300,000,000, maturing on July 11, 2003 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 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 the Commitments shall have been terminated and all Obligations shall have been paid in full.

(b) Upon any permanent reduction in the Commitments and/or 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 sum of the total Commitments and 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 USA, INC., as Agent

-----

Name:

Title:

FORM OF BOND DELIVERY AGREEMENT

BOND DELIVERY AGREEMENT

CONSUMERS ENERGY COMPANY

TO

CITICORP USA, INC., AS AGENT

Dated as of July 11, 2003

-----

Relating to  
First Mortgage Bonds, Collateral Series due July 11, 2004

-----

THIS BOND DELIVERY AGREEMENT (this "Agreement"), dated as of July \_\_, 2003, is between Consumers Energy Company (the "Company"), and Citicorp USA, 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 July 12, 2002, 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 entered into the Loan Agreement and made borrowings thereunder in accordance with the provisions thereof, and pursuant to such Loan Agreement the Company issued to the Agent, as evidence of and security for the Obligations its First Mortgage Bonds, Collateral Series due 2003 (collectively, the "2003 Collateral Series Bonds") issued pursuant to that certain Eighty-Second Supplemental Indenture dated as of July 12, 2002, 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");

Whereas, the Company has elected to request the extension of the Maturity Date to the Extended Maturity Date pursuant to the terms and conditions of Section 2.4 of the Loan Agreement;

Whereas, it is a condition to such extension of the Maturity Date to the Extended Maturity Date that the Company issue to the Agent, as evidence of and security for the Obligations, a new series of bonds under the Indenture in replacement of and substitution for the 2003 Collateral Series Bonds;

Whereas, the Company has established its First Mortgage Bonds, Collateral Series due 2004, in the aggregate principal amount of \$[insert aggregate principal amount of Term Loans outstanding on the Maturity Date] (the "Bonds"), to be issued under and in accordance with the [\_\_\_\_\_] Supplemental Indenture dated as of July \_\_, 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 \$[insert aggregate principal amount of Term Loans outstanding on the Maturity Date], maturing on July 11, 2004 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 surrenders the outstanding 2003 Collateral Series Bonds and 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 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 the Commitments shall have been terminated and all Obligations shall have been paid in full.

(b) Upon any permanent reduction in the Commitments and/or 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 sum of the total Commitments and 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 USA, INC., as Agent

-----

Name:

Title:

COMMITMENT SCHEDULE

BANK -----	INITIAL TERM -----	DEFERRED DRAW TERM -----
	LOAN -----	LOAN COMMITMENTS -----
	COMMITMENT -----	
Citicorp North America, Inc.	\$200,000,000	\$100,000,000
AGGREGATE -----	\$200,000,000	\$100,000,000
COMMITMENTS -----		

=====

EIGHTY-FIRST SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR  
FIRST MORTGAGE BONDS,

COLLATERAL SERIES (INTEREST BEARING) DUE 2003

and

COLLATERAL SERIES (ZERO RATE) DUE 2003

-----

DATED AS OF JULY 12, 2002

-----

CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,  
TRUSTEE

=====

THIS EIGHTY-FIRST SUPPLEMENTAL INDENTURE, dated as of July 12, 2002 (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 364 Day Credit Agreement dated as of July 12, 2002 (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, Collateral Series (Interest Bearing) due 2003, 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 July 11, 2003; and (ii) a new series of bonds, to be designated First Mortgage Bonds, Collateral Series (Zero Rate) due 2003,

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 July 11, 2003; 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:



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, Collateral Series (Interest Bearing) due 2003.

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 (INTEREST BEARING) DUE 2003

This bond is one of the bonds of a series designated as First Mortgage Bonds, Collateral Series (Interest Bearing) due 2003 (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]

-----



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  
COLLATERAL SERIES (ZERO RATE) DUE 2003

This bond is one of the bonds of a series designated as First Mortgage Bonds, Collateral Series (Zero Rate) due 2003 (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 \$22,500,000 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 \$22,500,000, shall mature on July 11, 2003 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 July 11, 2003 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 line 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 line 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 degrees 21' 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 degrees 53'30"  
East along North section line 105.78 feet to point of beginning; thence  
South 89 degrees 53'30" 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  
degrees 42'56"W and 50 feet measured S88 degrees 14'04"W from the South  
quarter corner, Section 8, T5N, R5E; thence S88 degrees 14'04"W a  
distance of 550 feet; thence N01 degrees 42'56"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 degrees 14'04"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 degrees 42'56"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 degrees 19'15" E along the North line of said section and the center line of Clouss Road 225 feet, thence South 400 feet, thence N 89 degrees 19'15" 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 Block three (3) 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 degrees 54'45" East along said centerline 2282.38 feet to the place of beginning of this description; thence continuing South 89 degrees 54'45" East along said centerline and said centerline extended 660.00 feet to the North-South 1/4 line of said section; thence South 00 degrees 07'20" West 1461.71 feet; thence North 89 degrees 34'58" West 660.00 feet; thence North 00 degrees 07'20" 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'yly 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 degrees 15'47" E, 507.42 feet, along the East line of said Section 24 to the point of beginning; thence S 88 degrees 15'36" W, 400.00 feet, parallel with the North 1/8 line of said Section 24; thence N 00 degrees 15'47" E, 800.00 feet, parallel with said East line of Section 24; thence N 88 degrees 15'36"E, 800.00 feet, along said North 1/8 line of Section 24 and said line extended; thence S 00 degrees 15'47" W, 800.00 feet, parallel with said East line of Section 24; thence S 88 degrees 15'36" 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 degrees 22' 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 9401(5) of the Michigan Uniform Commercial Code (M.C.L. 440.9401(5)) as defined in M.C.L. 440.9105(n).

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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

CONSUMERS ENERGY COMPANY

[SEAL]

By /s/ Laura L. Mountcastle

-----  
Laura L. Mountcastle  
Vice President and Treasurer

Attest:

/s/ Michael D. VanHemert

-----  
Michael D. VanHemert  
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 12th day of  
July, 2002, by Laura L. Mountcastle, Vice President and 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]

[SEAL]

By /s/ Larry O'Brien  
-----  
Vice President

Attest:

/s/ Nicholas Sberlati  
-----  
Trust Officer

Signed, sealed and delivered  
by JPMORGAN CHASE BANK  
in the presence of

/s/ William G. Keenan  
-----

/s/ N. Rodriquez  
-----

STATE OF NEW YORK        )  
                                  ss.  
COUNTY OF NEW YORK     )

The foregoing instrument was acknowledged before me this 16th day of  
July, 2002, 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: 12/31/2005

[SEAL]

Prepared by:  
Kimberly C. Wilson  
212 West Michigan Avenue  
Jackson, MI 49201

When recorded, return to:  
Consumers Energy Company  
General Services Real Estate Department  
Attn: Nancy P. Fisher, P-21-410B  
1945 W. Parnall Road  
Jackson, MI 49201

=====

EIGHTY-SECOND SUPPLEMENTAL INDENTURE

PROVIDING AMONG OTHER THINGS FOR  
FIRST MORTGAGE BONDS,  
COLLATERAL SERIES DUE 2003

-----  
DATED AS OF JULY 12, 2002  
-----

CONSUMERS ENERGY COMPANY

TO

JPMORGAN CHASE BANK,  
TRUSTEE

=====

THIS EIGHTY-SECOND SUPPLEMENTAL INDENTURE, dated as of July 12, 2002 (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 July 12, 2002 (the "Loan Agreement") with various financial institutions and Citicorp USA, Inc., as administrative agent (in such capacity, the "Agent") for the Banks (as such term is defined in the Loan Agreement) providing for the making of certain financial accommodations thereunder, and pursuant to such 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 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 2003, each of which bonds shall also bear the descriptive title "First Mortgage Bond" (hereinafter provided for and hereinafter sometimes referred to as the "2003 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 July 11, 2003; and

WHEREAS, each of the registered bonds without coupons of the 2003 Collateral Series Bonds and the Trustee's Authentication Certificate thereon are to be substantially in the following form, to wit:

[FACE]

CONSUMERS ENERGY COMPANY  
FIRST MORTGAGE BOND  
COLLATERAL SERIES DUE 2003

No. 1

\$300,000,000

CONSUMERS ENERGY COMPANY, a Michigan corporation (hereinafter called the "Company"), for value received, hereby promises to pay to Citicorp USA, Inc., as agent (in such capacity, the "Agent") for the Banks under and as defined in the Term Loan Agreement dated as of July 12, 2002 among the Company, the Banks and the Agent (the "Loan Agreement"), or registered assigns, the principal sum of Three Hundred Million Dollars (\$300,000,000) or such lesser principal amount as shall be equal to the aggregate principal amount of the Loans (as defined in the Loan Agreement) included in the Obligations (as defined in the Loan Agreement) outstanding on July 11, 2003 (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 July 12, 2002. 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 Loan Agreement are due and payable from time to time pursuant to the 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 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.

Dated:

CONSUMERS ENERGY COMPANY

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 2003

This bond is one of the bonds of a series designated as First Mortgage Bonds, Collateral Series due 2003 (sometimes herein referred to as the "2003 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 2003 Collateral Series Bonds are to be issued and delivered to the Agent in order evidence and secure the obligation of the Company under the Loan Agreement to make payments to the Banks under the Loan Agreement and to provide the Banks the benefit of the lien of the Indenture with respect to the 2003 Collateral Series Bonds.

The obligation of the Company to make payments with respect to the principal of 2003 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 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 Loans means that if any payment is made on the principal of the Loans, a corresponding payment obligation with respect to the principal of the 2003 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Loans discharges the outstanding obligation with respect to such Loans.

The obligation of the Company to make payments with respect to the interest on 2003 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 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 Loans means that if any payment is made on the interest and/or fees on the Loans, a corresponding payment obligation with respect to the interest on the 2003 Collateral Series Bonds shall be deemed discharged in the

same amount as the payment with respect to the Loans discharges the outstanding obligation with respect to such 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 2003 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 Loan Agreement, and (iii) the amount of the arrearage.

If an Event of Default (as defined in the Loan Agreement) with respect to the payment of the principal of any 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 2003 Collateral Series Bonds equal to the amount of such unpaid principal (but in no event in excess of the principal amount of the 2003 Collateral Series Bonds). If an Event of Default (as defined in the Loan Agreement) with respect to the payment of interest on any 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 2003 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 Loan Agreement and the acceleration of the Obligations, as provided in Section 9.2 of the 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 2003 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 Loans arising under the Loan Agreement, and all of the fees payable pursuant to the Loan Agreement, shall have been duly paid, and the Loan Agreement shall have been terminated.

[END OF FORM OF REGISTERED BOND OF THE 2003 COLLATERAL SERIES BONDS]

-----

AND WHEREAS all acts and things necessary to make the 2003 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 \$300,000,000 principal amount of the 2003 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 "2003 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 2003 Collateral Series Bonds shall be issued in the aggregate principal amount of \$300,000,000, shall mature on July 11, 2003 and shall be issued only as registered bonds without coupons in denominations of \$1,000 and any multiple thereof. The serial numbers of the 2003 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 2003 Collateral Series Bonds are to be issued to and registered in the name of the Agent under the 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 Loan Agreement) of the Company under the Loan Agreement.

The 2003 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 2003 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 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 Loans means that if any payment is made on the principal of the Loans, a corresponding payment obligation with respect to the principal of the 2003 Collateral Series Bonds shall be deemed discharged in the same

amount as the payment with respect to the Loans discharges the outstanding obligation with respect to such Loans.

The obligation of the Company to make payments with respect to the interest on 2003 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 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 Loans means that if any payment is made on the interest and/or fees on the Loans, a corresponding payment obligation with respect to the interest on the 2003 Collateral Series Bonds shall be deemed discharged in the same amount as the payment with respect to the Loans discharges the outstanding obligation with respect to such 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 2003 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 2003 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 Loan Agreement, and (iii) the amount of the arrearage.

The 2003 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 2003 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 Loan Agreement and the acceleration of the Obligations, the 2003 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 Loan Agreement both an Event of Default and a declaration of acceleration of the Obligations and demanding redemption of the 2003 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 2003 Collateral Series Bonds by the Agent to the Trustee, the 2003 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 2003 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 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 2003 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 line 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 line 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 degrees 53' 30" East along North section line 105.78 feet to point of beginning; thence South 89 degrees 53' 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 Block three (3) 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 degrees 22' 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 9401(5) of the Michigan Uniform Commercial Code (M.C.L. 440.9401(5)) as defined in M.C.L. 440.9105(n).

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/ Laura L. Mountcastle  
-----  
Laura L. Mountcastle  
Vice President and Treasurer

Attest:

/s/ Michael D. VanHemert  
-----  
Michael D. VanHemert  
Assistant Secretary

Signed, sealed and delivered  
by CONSUMERS ENERGY COMPANY  
in the presence of

/s/ Kimberly Wilson  
-----  
Kimberly Wilson

/s/ Sammie B. Dalton  
-----  
Sammie B. Dalton

STATE OF MICHIGAN )

ss.

COUNTY OF JACKSON )

The foregoing instrument was acknowledged before me this 12th day of July, 2002, by Laura L. Mountcastle, Vice President and 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]

By /s/ L. O'BRIEN

-----  
Vice President

[SEAL]

Attest:

/s/ Nicholas Sberlati

-----  
Trust Officer

Signed, sealed and delivered  
by JPMORGAN CHASE BANK  
in the presence of

/s/ William G. Keenan

-----  
/s/ N. Rodriquez

STATE OF NEW YORK            )  
                                  ) ss.  
COUNTY OF NEW YORK        )

The foregoing instrument was acknowledged before me this 16th day of  
July, 2002, 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: 12/31/2005

[SEAL]

Prepared by:  
Kimberly C. Wilson  
212 West Michigan Avenue  
Jackson, MI 49201

When recorded, return to:  
Consumers Energy Company  
General Services Real Estate Department  
Attn: Nancy P. Fisher, P-21-410B  
1945 W. Parnall Road  
Jackson, MI 49201

SUMMARY TERMS AND CONDITIONS  
CMS ENTERPRISES -  
\$150 MILLION TERM LOAN

BORROWER: CMS ENTERPRISES COMPANY ("ENTERPRISES")

GUARANTORS: CMS Energy Corporation  
CMS Generation Company  
CMS Gas Transmission Company

LEAD ARRANGER AND BOOK MANAGER: Salomon Smith Barney

ADMINISTRATIVE AGENT: Citicorp USA, Inc.

AMOUNT: \$150 million

FACILITY TYPE: Senior Secured Term Loan

PURPOSE: For general corporate purposes

MATURITY: December 13, 2002

SECURITY: First lien on all of the capital stock of Borrower's major direct and indirect domestic subsidiaries, including Panhandle Eastern Pipe Line Company (but excluding the subsidiaries of Panhandle)

AMORTIZATION: None

MANDATORY PREPAYMENT: 100% of net cash proceeds from asset sales and debt or equity issuances by CMS Energy or its subsidiaries (excluding Consumers)

DIVIDEND RESTRICTIONS: A \$0.1825/share per quarter limitation on cash dividends and a prohibition on any cash dividends after December 31, 2002 if the Borrower shall not have received at least \$250 million of net cash proceeds from the issuance of equity or equity-linked securities

FINANCIAL COVENANTS: CMS Energy Consolidated Debt/Consolidated EBITDA: Not more than 5.75 to 1.0 for the immediately preceding four quarters  
  
CMS Energy Cash Dividend Income/Interest Expense: Not less than 1.25 to 1.0 for the immediately preceding four quarters

OTHER COVENANTS: Similar to CMS Energy facility but with additional limitations on debt issuance at Enterprises and its subsidiaries

INTEREST RATE: LIBOR + 300 bps

SUMMARY TERMS AND CONDITIONS  
CMS ENERGY -  
\$295.8 MILLION SHORT-TERM FACILITY .

BORROWER: CMS ENERGY CORPORATION

GUARANTORS: CMS Enterprises Company  
CMS Generation Company  
CMS Gas Transmission Company

JOINT ARRANGER AND  
BOOK MANAGER: Salomon Smith Barney

JOINT ARRANGER AND  
ADMINISTRATIVE AGENT: Barclays Bank PLC

PURPOSE: For general corporate purposes

AMOUNT: \$295.8 million

FACILITY TYPE: Senior Secured Revolving Credit

MATURITY: March 31, 2003

SECURITY: Second Lien on all of the capital stock of  
CMS Enterprises major direct and indirect  
domestic subsidiaries, including Panhandle  
Eastern Pipe Line Company (but excluding the  
subsidiaries of Panhandle);

First-priority lien on all of the capital  
stock of Enterprises and all receivables and  
notes payable to the Borrower from  
Enterprises and major subsidiaries of  
Enterprises

MANDATORY PREPAYMENT: After payment in full of the Enterprises  
Facility, permanent reduction by 100% of net  
cash proceeds up to \$250 million from asset  
sales and the issuance of debt or equity in  
the capital markets by CMS Energy or any of  
its subsidiaries (excluding Consumers) and  
75% of such proceeds thereafter

DIVIDEND RESTRICTION: A \$0.1825/share per quarter limitation on  
cash dividends and prohibition on cash  
dividends after December 31, 2002 if the  
Borrower shall not have received at least  
\$250 million of net cash proceeds from the  
issuance of equity or equity-linked  
securities

FINANCIAL COVENANTS: Consolidated Debt/Consolidated EBITDA: Not  
more than 5.75 to 1.0 for the immediately  
preceding four quarters

Cash Dividend Income/Interest Expense :Not  
less than 1.25 to 1.0 for the immediately  
preceding four quarters

OTHER COVENANTS: Similar to existing facility but with  
additional limitations on debt issuance at  
Enterprises and its subsidiaries

INTEREST RATE: LIBOR + 300 bps

SUMMARY TERMS AND CONDITIONS  
CMS ENERGY -  
\$300 MILLION LONG-TERM FACILITY

BORROWER: CMS ENERGY CORPORATION

GUARANTORS: CMS Enterprises Company  
CMS Generation Company  
CMS Gas Transmission Company

JOINT ARRANGER AND  
BOOK MANAGER: Salomon Smith Barney

JOINT ARRANGER AND  
ADMINISTRATIVE AGENT: Barclays Bank PLC

PURPOSE: For general corporate purposes

AMOUNT: \$300 million

FACILITY TYPE: Senior Secured Revolving Credit

MATURITY: December 15, 2003

SECURITY: Second lien on all of the capital stock of  
CMS Enterprises major direct and indirect  
domestic subsidiaries, including Panhandle  
Eastern Pipe Line Company (but excluding the  
subsidiaries of Panhandle);

First-priority lien on all of the capital  
stock of Enterprises and all receivables and  
notes payable to the Borrower from  
Enterprises and major subsidiaries of  
Enterprises

AMORTIZATION: None

MANDATORY PREPAYMENT: After payment in full of the Enterprises and  
the CMS Energy Short-Term facilities, 50% of  
net cash proceeds from asset sales in excess  
of \$100 million

DIVIDEND RESTRICTION: Prohibition on cash dividends if Cash  
Dividend Income/Interest Expense falls below  
1.05 to 1.00

FINANCIAL COVENANTS: Consolidated Debt/Consolidated EBITDA: Not  
more than 5.75 to 1.0 for the immediately  
preceding four quarters

Cash Dividend Income/Interest Expense: Not  
less than 1.25 to 1.0 for the immediately  
preceding four quarters

OTHER COVENANTS: Similar to existing facility but with  
additional limitations on debt issuance at  
Enterprises and its subsidiaries

INTEREST RATE: LIBOR + 300 bps

SUMMARY TERMS AND CONDITIONS  
CONSUMERS ENERGY -  
\$250 MILLION 364-DAY REVOLVING CREDIT

BORROWER: CONSUMERS ENERGY COMPANY

ADMINISTRATIVE AGENT: Bank One, NA

ARRANGER: Bank One Capital Markets

PURPOSE: For general corporate purposes

AMOUNT: Up to \$250 million

FACILITY TYPE: Senior Secured Revolving Credit

MATURITY: July 11, 2003

SECURITY: First Mortgage Bonds

AMORTIZATION: None

DIVIDEND RESTRICTION: Not to exceed \$300 million in any calendar year

FINANCIAL COVENANTS: Total Consolidated Debt/Total Consolidated Capitalization: Not greater than 0.65 to 1.0  
Consolidated EBIT/Consolidated Interest Coverage: Not less than 2.0 to 1.0 for the immediately preceding four quarters

OTHER COVENANTS: Similar to existing Consumers facility

INTEREST RATE: LIBOR + 200 bps

SUMMARY TERMS AND CONDITIONS  
CONSUMERS ENERGY -  
\$300 MILLION TERM LOAN

BORROWER: CONSUMERS ENERGY COMPANY

ADMINISTRATIVE AGENT: Citicorp USA, Inc.

ARRANGER: Salomon Smith Barney

PURPOSE: For general corporate purposes

AMOUNT: Up to \$300 million; \$200 million funded at closing; \$100 million available no sooner than August 31, 2002

FACILITY TYPE: Senior Secured Term Loan

MATURITY: July 11, 2003 with a one year extension at the Borrower's option

SECURITY: First Mortgage Bonds

AMORTIZATION: None

MANDATORY PREPAYMENT: 50% of net cash proceeds from asset sales after first \$100 million asset sales

DIVIDEND RESTRICTION: Not to exceed \$300 million in any calendar year

FINANCIAL COVENANTS: Total Consolidated Debt/Total Consolidated Capitalization: Not greater than 0.65 to 1.0  
Consolidated EBIT/Consolidated Interest Coverage: Not less than 2.0 to 1.0 for the immediately preceding four quarters

OTHER COVENANTS: Similar to existing Consumers facility

INTEREST RATE: LIBOR + 250 bps

GRANTORS PLEDGE AND SECURITY AGREEMENT  
FOR CMS ENERGY CORPORATION

THIS PLEDGE AND SECURITY AGREEMENT (the "Security Agreement"), dated as of July 12, 2002, is made by CMS ENTERPRISES COMPANY, CMS GENERATION CO., CMS GAS TRANSMISSION COMPANY, CMS CAPITAL, L.L.C., CMS ELECTRIC AND GAS COMPANY, CMS OIL AND GAS COMPANY, CMS MARKETING, SERVICES AND TRADING COMPANY, CMS INTERNATIONAL VENTURES, L.L.C., CMS GENERATION MICHIGAN POWER L.L.C., DEARBORN INDUSTRIAL ENERGY, L.L.C., DEARBORN INDUSTRIAL GENERATION, L.L.C., CMS FIELD SERVICES, INC., CMS GAS PROCESSING, L.L.C. and CMS NATURAL GAS GATHERING, L.L.C. (each a "Grantor" and collectively, the "Grantors"), to CITICORP USA, INC. ("CUSA"), as Collateral Agent (the "Collateral Agent") for the lenders (the "Lenders") parties to the Credit Agreements (as hereinafter defined).

## PRELIMINARY STATEMENTS

(1) Barclays Bank PLC, as Administrative Agent, CUSA, as Collateral Agent, and the Lenders have entered into two Amended and Restated Credit Agreements, each dated as of July 12, 2002, one (the "Short Term Credit Agreement") maturing March 31, 2003 and the other (the "Long Term Credit Agreement") maturing December 15, 2003 (the Short Term Credit Agreement and the Long Term Credit Agreement, as they may hereafter be amended or otherwise modified from time to time, being referred to herein collectively as the "Credit Agreements", the terms defined therein and not otherwise defined herein being used herein as therein defined), with CMS Energy Corporation (the "Borrower").

(2) Each Grantor is the owner of the Collateral described in Exhibit "A" hereto and listed under such Grantor's name.

(3) It is a condition precedent to the effectiveness of the Credit Agreements that the Grantors shall have made the pledge contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Extensions of Credit under the Credit Agreements, each Grantor hereby agrees with the Collateral Agent for its benefit and the ratable benefit of the Lenders, as follows:

ARTICLE I

DEFINITIONS

1.1. Terms Defined in Credit Agreements. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreements.

1.2. Terms Defined in New York Uniform Commercial Code. Terms defined in the New York UCC which are not otherwise defined in this Security Agreement are used herein as defined in the New York UCC.

1.3. Definitions of Certain Terms Used Herein. As used in this Security Agreement, in addition to the terms defined in the Preliminary Statements, the following terms shall have the following meanings:

"Accounts" shall have the meaning set forth in Article 9 of the New York UCC.

"Article" means a numbered article of this Security Agreement, unless another document is specifically referenced.

"Collateral" means all Accounts and Instruments payable to any Grantor by the Borrower or Enterprises or any of Enterprises' Subsidiaries (including, without limitation, the Instruments described on Exhibit "A"), the Investment Property described on Exhibit "A" and General Intangibles constituting payment obligations of the Borrower or Enterprises or any of Enterprises' Subsidiaries to any Grantor and General Intangibles constituting the applicable Grantor's right, title and interest in any limited liability company or partnership described on Exhibit "A" in which such Grantor now has or hereafter acquires any right or interest, and the proceeds (including Stock Rights) and products thereof, together with records related thereto.

"Control" shall have the meaning set forth in Article 8 or, if applicable, in Section 9-104, 9-105, 9-106 or 9-107 of Article 9 of the New York UCC.

"Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"Event of Default" means an event described in Section 5.1.

"Exhibit" refers to a specific exhibit to this Security Agreement, unless another document is specifically referenced.

"General Intangibles" shall have the meaning set forth in Article 9 of the New York UCC.

"Instruments" shall have the meaning set forth in Article 9 of the New York UCC.

"Investment Property" shall have the meaning set forth in Article 9 of the New York UCC.

"Lenders" means the lenders party to either of the Credit Agreements and their successors and assigns.

"New York UCC" means the New York Uniform Commercial Code as in effect from time to time.

"Obligations" means any and all existing and future indebtedness, obligations and liabilities of every kind, nature and character, direct or indirect, absolute or contingent (including all renewals, extensions and modifications thereof and all reasonable and reimbursable fees, costs and expenses incurred by the Collateral Agent or the Lenders in connection with the preparation, administration, collection or enforcement thereof), of the Grantors to the Collateral Agent or any Lender, arising under or pursuant to this Security Agreement, or of the Borrower under either of the Credit Agreements or any other Loan Document.

"Permitted Liens" means the Liens permitted to be created, incurred or assumed or otherwise to exist pursuant to Section 8.02(a) of each of the Credit Agreements.

"Required Secured Parties" means, Lenders holding in the aggregate at least fifty-one percent (51%) of the aggregate of the Commitments under the Credit Agreements, or if the Commitments have terminated the unpaid principal amount of outstanding Debt under the Credit Agreements.

"Section" means a numbered section of this Security Agreement, unless another document is specifically referenced.

"Security" has the meaning set forth in Article 8 of the New York UCC.

"Stock Rights" means any securities, dividends or other distributions and any other right or property which any Grantor shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any securities or other ownership interests in a corporation, partnership, joint venture or limited liability company constituting Collateral and any securities, any right to receive securities and any right to receive earnings, in which any Grantor now has or hereafter acquires any right, issued by an issuer of such securities.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## ARTICLE II

### GRANT OF SECURITY INTEREST

2.1. Each of the Grantors hereby pledges, assigns and grants to the Collateral Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of

such Grantor's right, title and interest, whether now owned or hereafter acquired, in and to the Collateral to secure the prompt and complete payment and performance of the Obligations, which security interest shall be junior and subordinate to the security interest granted by the Grantors in the Collateral to secure payment of the indebtedness and obligations of Enterprises under the Enterprises Credit Agreement.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES

Each of the Grantors represents and warrants to the Collateral Agent and the Lenders that:

3.1. Title, Authorization, Validity and Enforceability. Such Grantor has good and valid rights in or the power to transfer the Collateral and title to the Collateral with respect to which it has purported to grant a security interest hereunder, free and clear of all Liens (other than Permitted Liens), and has full power and authority to grant to the Collateral Agent the security interest in such Collateral pursuant hereto. The execution and delivery by such Grantor of this Security Agreement has been duly authorized by proper corporate or other proceedings, and this Security Agreement constitutes a legal, valid and binding obligation of such Grantor and creates a security interest which is enforceable against such Grantor in all Collateral it now owns or hereafter acquires. When financing statements have been filed in the appropriate offices against such Grantor in the locations listed on Exhibit "B", the Collateral Agent will have a fully perfected security interest in the Collateral owned by such Grantor in which a security interest may be perfected by filing.

3.2. Conflicting Laws and Contracts. The execution, delivery and performance by such Grantor of this Security Agreement (i) are within such Grantor'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 Grantor (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 Grantor or of law, (C) violate any legal restriction binding on or affecting such Grantor, (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 Grantor 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 as defined in each of the Credit Agreements and the Enterprises Credit Agreement) upon or with respect to any of its properties.

3.3. Type and Jurisdiction of Organization. Each of CMS Enterprises Company, CMS Generation Co., CMS Gas Transmission Company, CMS Electric and Gas Company, CMS Oil and Gas Company, CMS Marketing, Services and Trading Company and CMS Field Services, Inc. is a corporation organized under the laws of the State of Michigan. Each of CMS Capital, L.L.C., CMS International Ventures, L.L.C.,

CMS Generation Michigan Power L.L.C., Dearborn Industrial Energy, L.L.C., and Dearborn Industrial Generation, L.L.C. is a limited liability company organized under the laws of the State of Michigan. Each of CMS Gas Processing, L.L.C. and CMS Natural Gas Gathering, L.L.C. is a limited liability company organized under the laws of the State of Oklahoma.

3.4. Pledged Securities and Other Investment Property. Exhibit "A" sets forth a complete and accurate list of the Instruments, Securities and other Investment Property delivered to the Collateral Agent. Each Grantor is the direct and beneficial owner of each Instrument, Security and other type of Investment Property listed on Exhibit "A" as being owned by it, free and clear of any Liens, except for the security interest granted to the Collateral Agent for the benefit of the Lenders hereunder, the Lien to secure payment of the indebtedness under the Enterprises Credit Agreement and other Permitted Liens. Each Grantor further represents and warrants that (i) all such Securities or other types of Investment Property which are shares of stock in a corporation or ownership interests in a partnership or limited liability company and in which such Grantor is granting a security interest pursuant to this Security Agreement have been (to the extent such concepts are relevant with respect to such Security or other type of Investment Property) duly and validly issued, are fully paid and non-assessable and constitute the percentage of the issued and outstanding shares of stock (or other equity interests) of the respective issuers thereof indicated on Exhibit "A" hereto and (ii) with respect to any certificates delivered to the Collateral Agent representing an ownership interest in a partnership or limited liability company and in which such Grantor is granting a security interest pursuant to this Security Agreement, either such certificates are Securities as defined in Article 8 of the New York UCC of the applicable jurisdiction as a result of actions by the issuer or otherwise, or, if such certificates are not Securities, such Grantor has so informed the Collateral Agent so that the Collateral Agent may take steps to perfect its security interest therein as a General Intangible.

#### ARTICLE IV

##### COVENANTS

From the date of this Security Agreement, and thereafter until this Security Agreement is terminated:

#### 4.1. General.

4.1.1 Inspection. Each Grantor will permit the Collateral Agent or any Lender, by its representatives and agents (i) to inspect the Collateral, (ii) to examine and make copies of the records of such Grantor relating to the Collateral and (iii) to discuss the Collateral and the related records of such Grantor with, and to be advised as to the same by, such Grantor's officers and employees all at such reasonable times and intervals as the Collateral Agent or such Lender may determine.

4.1.2 Records and Reports. Each Grantor will maintain complete and accurate books and records with respect to the Collateral owned by such Grantor, and

furnish to the Collateral Agent, with sufficient copies for each of the Lenders, such reports relating to the Collateral as the Collateral Agent shall from time to time reasonably request.

4.1.3 Financing Statements and Other Actions; Defense of Title. Each Grantor hereby authorizes the Collateral Agent to file, and if requested will execute and deliver to the Collateral Agent, all financing statements describing the Collateral owned by such Grantor and other documents and take such other actions as may from time to time be reasonably requested by the Collateral Agent in order to maintain a perfected security interest in and, if applicable, Control of, the Collateral owned by such Grantor. Each Grantor will take any and all actions necessary to defend title to the Collateral owned by such Grantor against all persons and to defend the security interest of the Collateral Agent in such Collateral and the priority thereof against any Lien not expressly permitted hereunder.

4.1.4 Change in Corporate Existence, Type or Jurisdiction of Organization, Location, Name. Each Grantor will preserve its existence, not change its state of organization, and not change its mailing address, unless, in each such case, such Grantor shall have given the Collateral Agent not less than 10 days' prior written notice of such event or occurrence and the Collateral Agent shall have either (x) determined that such event or occurrence will not adversely affect the validity, perfection or priority of the Collateral Agent's security interest in the Collateral owned by such Grantor, or (y) taken such steps (with the cooperation of such Grantor to the extent necessary or advisable) as are necessary or advisable to properly maintain the validity, perfection and priority of the Collateral Agent's security interest in the Collateral owned by such Grantor.

4.2. Instruments and Securities. Each Grantor will (i) deliver to the Collateral Agent immediately upon execution of this Security Agreement the originals of all Securities constituting Collateral owned by such Grantor (if any then exist), (ii) deliver to the Collateral Agent within thirty days after execution of this Security Agreement the originals of all Instruments constituting Collateral owned by such Grantor (if any then exist) and (iii) hold in trust for the Collateral Agent upon receipt and immediately thereafter deliver to the Collateral Agent any additional Securities and Instruments constituting Collateral owned by such Grantor.

4.3. Uncertificated Securities and Certain Other Investment Property. Each Grantor will permit the Collateral Agent from time to time to cause the appropriate issuers (and, if held with a securities intermediary, such securities intermediary) of uncertificated securities or other types of Investment Property not represented by certificates which are Collateral owned by such Grantor to mark their books and records with the numbers and face amounts of all such uncertificated securities or other types of Investment Property not represented by certificates and all rollovers and replacements therefor to reflect the Lien of the Collateral Agent granted pursuant to this Security Agreement. Each Grantor will use all commercially reasonable efforts, with respect to Investment Property constituting Collateral owned by such Grantor held with a financial intermediary, to cause such financial intermediary to enter into a control agreement with

the Collateral Agent in form and substance reasonably satisfactory to the Collateral Agent.

4.4. Stock and Other Ownership Interests. Each Grantor will permit any registerable Collateral owned by such Grantor to be registered in the name of the Collateral Agent or its nominee at any time at the option of the Required Secured Parties following the occurrence and during the continuance of an Event of Default.

4.5. Voting Rights and Dividends

4.5.1 Rights Prior to Default. So long as no Event of Default, and no Default under Section 9.01(f) of the Credit Agreements, shall have occurred and be continuing:

(i) Until the Collateral Agent shall have notified each Grantor in writing to the contrary, such Grantor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Collateral owned by such Grantor or any part thereof for any purpose not inconsistent with the terms of this Security Agreement or either of the Credit Agreements; provided, however, that each Grantor shall not exercise or refrain from exercising any such right if such action would have a material adverse effect on the value of the Collateral.

(ii) Each Grantor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Collateral owned by such Grantor, provided, however, that any and all (a) dividends and interest paid or payable other than in cash in respect of, and securities, instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any such Collateral, and (b) dividends, interest and other distributions paid or payable in cash in respect of any such Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, shall be, and shall be forthwith delivered to the Collateral Agent to hold as, Collateral and shall, if received by such Grantor, be received in trust for the benefit of the Collateral Agent, be segregated from the other property or funds of such Grantor, and be forthwith delivered to the Collateral Agent as Collateral in the same form as so received (with any necessary indorsement or assignment).

(iii) The Collateral Agent shall execute and deliver (or cause to be executed and delivered) to each Grantor all such proxies and other instruments as such Grantor may reasonably request for the purpose of enabling such Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to paragraph (i), above, and to receive the dividends and interest which it is authorized to receive and retain pursuant to paragraph (ii), above.

4.5.2 Rights During Default. Upon the occurrence and during the continuance of a Default under Section 9.01(f) of the Credit Agreements or an Event of Default:

(i) Upon written notice to such Grantor by the Collateral Agent, all rights of such Grantor to exercise or refrain from exercising the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 4.5.1(i) and to receive the dividends and interest which it would otherwise be authorized to receive and retain pursuant to Section 4.5.1(ii) shall cease, and all such rights shall thereupon become vested in the Collateral Agent who shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Collateral such dividends and interest.

(ii) All dividends and interest and other property which are received by any Grantor contrary to the provisions of paragraph (i) of this Section 4.5.2 shall be received in trust for the benefit of the Collateral Agent, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Collateral Agent as Collateral in the same form as so received (with any necessary indorsement).

## ARTICLE V

### DEFAULT

5.1. Default. The occurrence of any "Event of Default" under, and as defined in, either of the Credit Agreements shall constitute an Event of Default hereunder.

5.2. Acceleration and Remedies. Upon the acceleration of the Obligations under either of the Credit Agreements pursuant to Section 9.02 thereof, the Collateral Agent may, with the concurrence or at the direction of the Required Secured Parties, exercise any or all of the following rights and remedies:

5.2.1 Those rights and remedies provided in this Security Agreement, the Credit Agreements, or any other Loan Document, provided that this Section 5.2.1 shall not be understood to limit any rights or remedies available to the Collateral Agent and the Lenders prior to an Event of Default.

5.2.2 Those rights and remedies available to a secured party under the New York UCC (whether or not the New York UCC applies to the affected Collateral) or under any other applicable law (including, without limitation, any law governing the exercise of a bank's right of setoff or bankers' lien) when a debtor is in default under a security agreement.

5.2.3 Without notice except as specifically provided herein, sell, lease, assign, grant an option or options to purchase or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable.

The Collateral Agent may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

5.3. Standstill. Notwithstanding the foregoing provisions of Sections 5.1 and 5.2, the Collateral Agent shall take no action to enforce the security interests granted pursuant to this Security Agreement until the earlier of the date on which (i) the Enterprises Credit Agreement has been repaid in full and the commitments thereunder have expired or terminated and (ii) the Obligations under the Enterprises Credit Agreement have been accelerated pursuant to Section 9.02 thereof.

#### ARTICLE VI

##### WAIVERS, AMENDMENTS AND REMEDIES

6.1. No delay or omission of the Collateral Agent or any Lender to exercise any right or remedy granted under this Security Agreement shall impair such right or remedy or be construed to be a waiver of any Event of Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver, amendment or other variation of the terms, conditions or provisions of this Security Agreement whatsoever shall be valid unless in writing signed by the Collateral Agent with the concurrence or at the direction of the Lenders required under Section 11.01 of either of the Credit Agreements and each Grantor, and then only to the extent in such writing specifically set forth. All rights and remedies contained in this Security Agreement or by law afforded shall be cumulative and all shall be available to the Collateral Agent and the Lenders until the Obligations have been paid in full.

#### ARTICLE VII

##### RIGHTS OF CONTRIBUTION WITH RESPECT TO OBLIGATIONS

7.1. Rights of Contribution. To the extent that any payment is made on the Obligations by or on behalf of any Guarantor or Grantor (each, an "Obligor") under or pursuant to the Guaranty or this Security Agreement (an "Obligor Payment") which, taking into account all other Obligor Payments then previously or concurrently made by any other Obligor, exceeds the amount which otherwise would have been paid by or attributable to such Obligor if each Obligor had paid the aggregate Obligations satisfied by such Obligor Payment in the same proportion as such Obligor's "Allocable Amount" (as defined below) (as determined immediately prior to such Obligor Payment) bore to the aggregate Allocable Amounts of each of the Obligors as determined immediately prior to the making of such Obligor Payment, then, following payment in full in cash of the Obligations and the termination or expiration of all Commitments, such Obligor shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Obligor for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Obligor Payment.

7.2. Allocable Amount. As of any date of determination, the "Allocable Amount" of any Obligor shall be equal to the maximum amount of the claim which could then be recovered from such Obligor with respect to the Obligations without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

7.3. Rights Among Obligors. This Section 7.3 is intended only to define the relative rights of the Obligors, and nothing set forth in this Section 7.3 is intended to or shall impair the obligations of the Obligors to pay any amounts as and when the same shall become due and payable in accordance with the terms of the Guaranty or this Security Agreement.

7.4. Rights as Assets. The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Obligors to which such contribution and indemnification is owing.

7.5. Rights Deferred. The rights of the indemnifying Obligors against other Obligors with respect to any payments on the Obligations shall be exercisable upon the full payment of the Obligations in cash and the termination or expiry of the Commitments.

#### ARTICLE VIII

##### SUBORDINATION OF INTERCOMPANY INDEBTEDNESS

8.1. Each Grantor agrees that any and all claims of such Grantor against any other Loan Party with respect to any "Intercompany Indebtedness" (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations and to the obligations of Enterprises under the Enterprises Credit Agreement. If all or any part of the assets of any Loan Party, or the proceeds thereof, are subject to any distribution, division or application to the creditors of such Loan Party, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any such Loan Party is dissolved or if substantially all of the assets of any such Loan Party are sold, then, and in any such event (such events being herein referred to as an "Insolvency Event"), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Loan Party to any Grantor ("Intercompany Indebtedness") shall be paid or delivered directly to the Collateral Agent for application to the obligations of Enterprises under the Enterprises Credit Agreement, whether matured or unmatured, and, after the Enterprises Credit Agreement is repaid in full, to the Obligations,

whether matured or unmatured, under the Short Term Credit Agreement, and, after the Short Term Credit Agreement has been repaid in full, to the Obligations, whether matured or unmatured, under the Long Term Credit Agreement. Should any payment, distribution, security or instrument or proceeds thereof be received by any Grantor upon or with respect to the Intercompany Indebtedness after any Insolvency Event and prior to the satisfaction of all of the Obligations and the termination or expiration of all Commitments of the Lenders, such Grantor shall receive and hold the same in trust, as trustee, for the benefit of the Lenders and shall forthwith deliver the same to the Collateral Agent, for the benefit of the Lenders, in precisely the form received (except for the endorsement or assignment of the Obligor where necessary), for application to the obligations of Enterprises under the Enterprises Credit Agreement, whether matured or unmatured, and, after the Enterprises Credit Agreement is repaid in full, to the Obligations, whether matured or unmatured, under the Short Term Credit Agreement, and, after the Short Term Credit Agreement has been repaid in full, to the Obligations, whether matured or unmatured, under the Long Term Credit Agreement, and, until so delivered, the same shall be held in trust by such Grantor as the property of the Lenders.

#### ARTICLE IX

##### GENERAL PROVISIONS

9.1. Secured Party Performance of Grantor's Obligations. Without having any obligation to do so, the Collateral Agent may perform or pay any obligation which any Grantor has agreed to perform or pay in this Security Agreement and such Grantor shall reimburse the Collateral Agent for any reasonable amounts paid by the Collateral Agent pursuant to this Section 9.1. Each Grantor's obligation to reimburse the Collateral Agent pursuant to the preceding sentence shall be an Obligation payable on demand.

9.2. Authorization for Secured Party to Take Certain Action. Each Grantor irrevocably authorizes the Collateral Agent at any time and from time to time in the sole discretion of the Collateral Agent and appoints the Collateral Agent as its attorney in fact (i) to contact and enter into one or more agreements with the issuers of uncertificated securities which are Collateral owned by such Grantor and which are Securities or with financial intermediaries holding other Investment Property as may be necessary or advisable solely to give the Collateral Agent Control over such Securities or other Investment Property, (ii) following the occurrence and during the continuance of an Event of Default, to enforce payment of the Instruments and Accounts which are Collateral in the name of the Collateral Agent or such Grantor, (iii) following the occurrence and during the continuance of an Event of Default, to apply the proceeds of any Collateral received by the Collateral Agent to the Obligations and (iv) to discharge past due taxes, assessments, charges, fees or Liens on the Collateral (except for such Liens as are specifically permitted hereunder or under any other Loan Document), and each Grantor agrees to reimburse the Collateral Agent on demand for any reasonable payment made or any reasonable expense incurred by the Collateral Agent in connection therewith, provided that this authorization shall not relieve any Grantor of any of its obligations under this Security Agreement or under the Credit Agreements.

9.3. Benefit of Agreement. The terms and provisions of this Security Agreement shall be binding upon and inure to the benefit of the Grantors, the Collateral Agent and the Lenders and their respective successors and assigns (including all persons who become bound as a debtor to this Security Agreement), except that the Grantors shall not have the right to assign their rights or delegate their obligations under this Security Agreement or any interest herein, without the prior written consent of the Collateral Agent.

9.4. Survival of Representations. All representations and warranties of the Grantors contained in this Security Agreement shall survive the execution and delivery of this Security Agreement.

9.5. Taxes and Expenses. Any stamp, documentary or (to the extent provided in the Credit Agreements) withholding taxes payable or ruled payable by Federal or State authority in respect of this Security Agreement shall be paid by the Grantors, together with interest and penalties, if any. The Grantors shall reimburse the Collateral Agent for any and all reasonable out-of-pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of the Collateral Agent) paid or incurred by the Collateral Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this Security Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). Any and all costs and expenses incurred by the Grantors in the performance of actions required pursuant to the terms hereof shall be borne solely by the Grantors.

9.6. Headings. The title of and section headings in this Security Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Security Agreement.

9.7. CHOICE OF LAW. SUBMISSION TO JURISDICTION. THIS SECURITY AGREEMENT 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). EACH OF THE GRANTORS AND THE COLLATERAL AGENT (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 GRANTORS

AGREES THAT THE COLLATERAL AGENT SHALL HAVE THE RIGHT TO PROCEED AGAINST SUCH GRANTOR OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE 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 COLLATERAL AGENT OR THE LENDERS. EACH GRANTOR AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY THE COLLATERAL AGENT TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE COLLATERAL AGENT. EACH GRANTOR WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE COLLATERAL AGENT MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

9.8. Indemnity. Each Grantor hereby agrees, jointly with the other Grantors and severally, to indemnify the Collateral Agent and its successors, assigns, agents and employees (each, an "indemnified party"), from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all expenses of litigation or preparation therefor whether or not the Collateral Agent is a party thereto) imposed on, incurred by or asserted against the Collateral Agent, or its successors, assigns, agents and employees, in any way relating to or arising out of this Security Agreement, or the ownership, delivery, possession, or other disposition of any Collateral except to the extent that such liabilities, damages, penalties, costs or expenses were caused by the gross negligence or willful misconduct of such indemnified party.

9.9. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including facsimile communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered, if to any Grantors, c/o CMS Enterprises Company at its address at Fairlane Plaza South, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126, Attention: General Counsel, and if to the Collateral Agent, at its address specified in the Credit Agreement, or, as to either party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and other communications shall, when mailed or telecopied, be effective five days after when deposited in the mails, or when telecopied.

9.10. Continuing Security Interest; Assignments under Credit Agreements. This Security Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the earlier to occur of (x) the payment in full of all Obligations of the Borrower now or hereafter existing under the Credit Agreements, whether for principal, interest, fees, expenses or otherwise, and all other amounts payable under this Security Agreement, and the expiration or termination of the Commitments and (y) the release by the Lenders of their Lien on all of the Collateral, (ii) be binding upon the Grantors, their respective successors and assigns, and (iii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of, and be enforceable by, the Collateral Agent and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), any Lender may assign or otherwise

transfer all or any portion of its rights and obligations under either of the Credit Agreements (including, without limitation, all or any portion of its Commitment, the Loans owing to it and any Promissory Note held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, subject, however to the provisions of Sections 10.03 and 11.07 of the applicable Credit Agreement. Upon the earlier to occur of (A) the payment in full of all Obligations of the Borrower now or hereafter existing under the Credit Agreements, whether for principal, interest, fees, expenses or otherwise, and all other amounts payable under this Security Agreement, and the expiration or termination of the Commitments and (B) the release by the Lenders of their Lien on all of the Collateral, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Grantors. In addition, the Collateral Agent shall release any Collateral as permitted or required pursuant to Section 10.03 of the Credit Agreements. Upon any such termination, the Collateral Agent will, at the Grantors' expense, return to the Grantors such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof and execute and deliver to the Grantors such documents as any Grantor shall reasonably request to evidence such termination.

9.11. WAIVER OF JURY TRIAL. THE GRANTORS AND THE COLLATERAL AGENT 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.

IN WITNESS WHEREOF, each of the Grantors and the Collateral Agent have executed this Security Agreement as of the date first above written.

CMS ENTERPRISES COMPANY

By: /s/ Alan M. Wright

-----  
Alan M. Wright  
Its: Executive Vice President,  
Chief Financial Officer &  
Chief Administrative Officer

CMS GENERATION CO.

By: /s/ Michael D. VanHemert

-----  
Michael D. VanHemert  
Its: Vice President and  
Secretary

CMS GAS TRANSMISSION COMPANY

By: /s/ Carol Isles

-----  
Carol Isles  
Its: Vice President and  
Controller

CMS CAPITAL, L.L.C.

By: /s/ Alan M. Wright

-----  
Alan M. Wright  
Its: President and  
Chief Executive Officer

CMS ELECTRIC AND GAS COMPANY

By: /s/ Alan M. Wright

-----  
Alan M. Wright  
Its: Vice President

CMS OIL AND GAS COMPANY

By: /s/ Michael D. VanHemert

-----  
Michael D. VanHemert  
Its: Vice President and  
Secretary

CMS MARKETING, SERVICES AND TRADING COMPANY

By: /s/ Laura L. Mountcastle

-----  
Laura L. Mountcastle  
Its: Vice President and Treasurer

CMS INTERNATIONAL VENTURES, L.L.C.

By: /s/ Michael D. VanHemert

-----  
Michael D. VanHemert  
Its: Vice President and Secretary

CMS GENERATION MICHIGAN POWER L.L.C.

By: /s/ Thomas W. Elward

-----  
Thomas W. Elward  
Its: President

DEARBORN INDUSTRIAL ENERGY, LLC

By: /s/ Thomas W. Elward

-----  
Thomas W. Elward  
Its: President

DEARBORN INDUSTRIAL GENERATION, L.L.C.

By: /s/ Thomas W. Elward  
-----  
Thomas W. Elward  
Its: President

CMS GAS PROCESSING, L.L.C.

By: /s/ Michael D. VanHemert  
-----  
Michael D. VanHemert  
Its: Vice President and Secretary of  
CMS Field Services, Inc.  
Its Sole Member

CMS FIELD SERVICES, INC.

By: /s/ Michael D. VanHemert  
-----  
Michael D. VanHemert  
Its: Vice President and Secretary

CMS NATURAL GAS GATHERING, L.L.C.

By: /s/ Michael D. VanHemert  
-----  
Michael D. VanHemert  
Its: Vice President and Secretary of  
CMS Field Services, Inc.  
Its Sole Member

AGREED AND ACKNOWLEDGED:

CITICORP USA, INC., as Collateral Agent

By: /s/ Dale R. Goncher  
-----  
Dale R. Goncher  
Title: Director

EXHIBIT "A"

List of Pledged Securities  
(See Section 3.4 of Security Agreement)

STOCK OWNED  
BY CMS

ENTERPRISES  
COMPANY:

Certificate  
Number  
Percentage  
Issuer  
Number of  
Shares  
Ownership  
Interest -

-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----

----- CMS  
Generation  
Co. 21 10  
100% CMS  
Gas

Transmission  
Company  
(f/k/a CMS  
Gas 1 170  
100%

Transmission  
and Storage  
Company)  
CMS

Electric  
and Gas  
Company 1  
10 100% CMS  
Oil and Gas

Company  
(f/k/a  
Northern  
Michigan 36  
20,000,000  
100%

Exploration  
Company)  
CMS

Marketing,  
Services  
and Trading  
Company 1  
10 100%

INSTRUMENTS OWNED BY CMS ENTERPRISES COMPANY:

Obligor  
Amount

Interest  
Rate

Maturity  
- - - - -

- - - - -  
- - - - -  
- - - - -

- - - - -  
- - - - -  
- - - - -

None

GENERAL INTANGIBLES AND OTHER SECURITIES OR OTHER INVESTMENT PROPERTY  
(CERTIFICATED AND UNCERTIFICATED) OWNED BY CMS ENTERPRISES COMPANY:

Percentage  
Ownership

Issuer  
Description

of  
Collateral  
Interest - -

-----  
-----  
-----

----- CMS  
Capital LLC  
Limited  
liability

company  
interests  
100% CMS  
International  
Ventures,  
Limited  
liability  
company  
interests  
66.7% L.L.C.



EXHIBIT "A" (continued)

List of Pledged Securities  
(See Section 3.4 of Security Agreement)

STOCK OWNED BY DEARBORN INDUSTRIAL ENERGY, LLC:

Issuer  
Certificate  
Number  
Number of  
Shares  
Percentage  
Ownership  
Interest -  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-- None

INSTRUMENTS OWNED BY DEARBORN INDUSTRIAL ENERGY, LLC:

Obligor  
Amount  
Interest  
Rate  
Maturity  
- ----  
- ----  
- ----  
- ----  
- ----  
- ----  
- ----  
- ----  
None

GENERAL INTANGIBLES AND OTHER SECURITIES OR OTHER INVESTMENT PROPERTY  
(CERTIFICATED AND UNCERTIFICATED) OWNED BY DEARBORN INDUSTRIAL ENERGY, LLC:

Percentage  
Ownership  
Issuer  
Description  
of  
Collateral  
Interest -  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
Dearborn  
Industrial  
Generation,  
L.L.C.  
Limited  
liability  
company  
interests  
100%

EXHIBIT "A" (continued)

List of Pledged Securities  
(See Section 3.4 of Security Agreement)

STOCK OWNED BY CMS GAS TRANSMISSION COMPANY:

Percentage  
Certificate  
Number of  
Ownership  
Issuer  
Number  
Shares  
Interest -  
-----  
-----  
-----  
CMS Field  
Services  
Inc.  
(f/k/a CMS  
continental  
natural 1  
10 100%  
Gas, Inc.)  
Panhandle  
Eastern  
Pipeline  
Company 4  
1,000 100%

INSTRUMENTS OWNED BY CMS GAS TRANSMISSION COMPANY:

Obligor  
Amount  
Interest  
Rate  
Maturity  
- ----  
-- ----  
-- ----  
-----  
-- ----  
----  
None

GENERAL INTANGIBLES AND OTHER SECURITIES OR OTHER INVESTMENT PROPERTY  
(CERTIFICATED AND UNCERTIFICATED) OWNED BY CMS GAS TRANSMISSION COMPANY:

Issuer  
Description  
of  
Collateral  
Percentage  
Ownership  
Interest -  
-----  
-----  
-----  
-- None



EXHIBIT "B"  
(See Section 3.1 of Security Agreement)

OFFICES IN WHICH FINANCING STATEMENTS HAVE BEEN FILED

A. FOR ALL GRANTORS OTHER THAN CMS GAS PROCESSING, L.L.C. AND CMS NATURAL GAS GATHERING, L.L.C.

Secretary of State of Michigan

B. FOR CMS GAS PROCESSING, L.L.C. AND CMS NATURAL GAS GATHERING, L.L.C.

Clerk of Oklahoma County, Oklahoma

GRANTORS PLEDGE AND SECURITY AGREEMENT  
FOR CMS ENTERPRISES COMPANY

THIS PLEDGE AND SECURITY AGREEMENT (the "Security Agreement"), dated as of July 12, 2002, is made by CMS ENTERPRISES COMPANY, CMS GENERATION CO., CMS GAS TRANSMISSION COMPANY, CMS CAPITAL, L.L.C., CMS ELECTRIC AND GAS COMPANY, CMS OIL AND GAS COMPANY, CMS MARKETING, SERVICES AND TRADING COMPANY, CMS INTERNATIONAL VENTURES, L.L.C., CMS GENERATION MICHIGAN POWER L.L.C., DEARBORN INDUSTRIAL ENERGY, L.L.C., DEARBORN INDUSTRIAL GENERATION, L.L.C., CMS FIELD SERVICES, INC., CMS GAS PROCESSING, L.L.C. and CMS NATURAL GAS GATHERING, L.L.C. (each a "Grantor" and collectively, the "Grantors"), to CITICORP USA, INC. ("CUSA"), as Collateral Agent (the "Collateral Agent") for the lenders (the "Lenders") parties to the Credit Agreement (as hereinafter defined).

## PRELIMINARY STATEMENTS

(1) CUSA, as Administrative Agent and as Collateral Agent and the Lenders have entered into a Credit Agreement, dated as of July 12, 2002, maturing December 13, 2002 (as it may hereafter be amended or otherwise modified from time to time, the "Credit Agreement", the terms defined therein and not otherwise defined herein being used herein as therein defined) with CMS Enterprises Company (the "Borrower").

(2) Each Grantor is the owner of the Collateral described in Exhibit "A" hereto and listed under such Grantor's name.

(3) It is a condition precedent to the effectiveness of the Credit Agreement that the Grantors shall have made the pledge contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Extensions of Credit under the Credit Agreement, each Grantor hereby agrees with the Collateral Agent for its benefit and the ratable benefit of the Lenders, as follows:

## ARTICLE I

## DEFINITIONS

1.1. Terms Defined in Credit Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement.

1.2. Terms Defined in New York Uniform Commercial Code. Terms defined in the New York UCC which are not otherwise defined in this Security Agreement are used herein as defined in the New York UCC.

1.3. Definitions of Certain Terms Used Herein. As used in this Security Agreement, in addition to the terms defined in the Preliminary Statements, the following terms shall have the following meanings:

"Accounts" shall have the meaning set forth in Article 9 of the New York UCC.

"Article" means a numbered article of this Security Agreement, unless another document is specifically referenced.

"Collateral" means all Accounts and Instruments payable to any Grantor by CMS Energy Corporation or the Borrower or any of the Borrower's Subsidiaries (including, without limitation, the Instruments described on Exhibit "A"), the Investment Property described on Exhibit "A" and General Intangibles constituting payment obligations of CMS Energy Corporation or the Borrower or any of the Borrower's Subsidiaries to any Grantor and General Intangibles constituting the applicable Grantor's right, title and interest in any limited liability company or partnership described on Exhibit "A" in which such Grantor now has or hereafter acquires any right or interest, and the proceeds (including Stock Rights) and products thereof, together with records related thereto.

"Control" shall have the meaning set forth in Article 8 or, if applicable, in Section 9-104, 9-105, 9-106 or 9-107 of Article 9 of the New York UCC.

"Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"Event of Default" means an event described in Section 5.1.

"Exhibit" refers to a specific exhibit to this Security Agreement, unless another document is specifically referenced.

"General Intangibles" shall have the meaning set forth in Article 9 of the New York UCC.

"Instruments" shall have the meaning set forth in Article 9 of the New York UCC.

"Investment Property" shall have the meaning set forth in Article 9 of the New York UCC.

"Lenders" means the lenders party to the Credit Agreement and their successors and assigns.

"New York UCC" means the New York Uniform Commercial Code as in effect from time to time.

"Obligations" means any and all existing and future indebtedness, obligations and liabilities of every kind, nature and character, direct or indirect, absolute or contingent (including all renewals, extensions and modifications thereof and all reasonable and reimbursable fees, costs and expenses incurred by the Collateral Agent or the Lenders in connection with the preparation, administration, collection or enforcement thereof), of the Grantors to the Collateral Agent or any Lender, arising under or pursuant to this Security Agreement, or of the Borrower under the Credit Agreement or any other Loan Document.

"Permitted Liens" means the Liens permitted to be created, incurred or assumed or otherwise to exist pursuant to Section 8.02(a) of the Credit Agreement.

"Required Secured Parties" means, Lenders holding in the aggregate at least fifty-one percent (51%) of the aggregate of the Commitments under the Credit Agreement, or if the Commitments have terminated the unpaid principal amount of outstanding Debt under the Credit Agreement.

"Section" means a numbered section of this Security Agreement, unless another document is specifically referenced.

"Security" has the meaning set forth in Article 8 of the New York UCC.

"Stock Rights" means any securities, dividends or other distributions and any other right or property which any Grantor shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any securities or other ownership interests in a corporation, partnership, joint venture or limited liability company constituting Collateral and any securities, any right to receive securities and any right to receive earnings, in which any Grantor now has or hereafter acquires any right, issued by an issuer of such securities.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## ARTICLE II

### GRANT OF SECURITY INTEREST

2.1. Each of the Grantors hereby pledges, assigns and grants to the Collateral Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of such Grantor's right, title and interest, whether now owned or hereafter acquired, in and to the Collateral to secure the prompt and complete payment and performance of the Obligations.

## ARTICLE III

### REPRESENTATIONS AND WARRANTIES

Each of the Grantors represents and warrants to the Collateral Agent and the Lenders that:

3.1. Title, Authorization, Validity and Enforceability. Such Grantor has good and valid rights in or the power to transfer the Collateral and title to the Collateral with respect to which it has purported to grant a security interest hereunder, free and clear of all Liens (other than Permitted Liens), and has full power and authority to grant to the Collateral Agent the security interest in such Collateral pursuant hereto. The execution and delivery by such Grantor of this Security Agreement has been duly authorized by proper corporate or other proceedings, and this Security Agreement constitutes a legal, valid and binding obligation of such Grantor and creates a security interest which is enforceable against such Grantor in all Collateral it now owns or hereafter acquires. When financing statements have been filed in the appropriate offices against such Grantor in the locations listed on Exhibit "B", the Collateral Agent will have a fully perfected first priority security interest in the Collateral owned by such Grantor in which a security interest may be perfected by filing.

3.2. Conflicting Laws and Contracts. The execution, delivery and performance by such Grantor of this Security Agreement (i) are within such Grantor'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 Grantor (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 Grantor or of law, (C) violate any legal restriction binding on or affecting such Grantor, (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 Grantor 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 as defined in the Credit Agreement) upon or with respect to any of its properties.

3.3. Type and Jurisdiction of Organization. Each of CMS Enterprises Company, CMS Generation Co., CMS Gas Transmission Company, CMS Electric and Gas Company, CMS Oil and Gas Company, CMS Marketing, Services and Trading Company and CMS Field Services, Inc. is a corporation organized under the laws of the State of Michigan. Each of CMS Capital, L.L.C., CMS International Ventures, L.L.C., CMS Generation Michigan Power L.L.C., Dearborn Industrial Energy, L.L.C., and Dearborn Industrial Generation, L.L.C. is a limited liability company organized under the laws of the State of Michigan. Each of CMS Gas Processing, L.L.C. and CMS Natural Gas Gathering, L.L.C. is a limited liability company organized under the laws of the State of Oklahoma.

3.4. Pledged Securities and Other Investment Property. Exhibit "A" sets forth a complete and accurate list of the Instruments, Securities and other Investment Property delivered to the Collateral Agent. Each Grantor is the direct and beneficial owner of each Instrument, Security and other type of Investment Property listed on Exhibit "A" as being owned by it, free and clear of any Liens, except for the security interest granted to the Collateral Agent for the benefit of the Lenders hereunder and Permitted Liens. Each Grantor further represents and warrants that (i) all such Securities or other types of

Investment Property which are shares of stock in a corporation or ownership interests in a partnership or limited liability company and in which such Grantor is granting a security interest pursuant to this Security Agreement have been (to the extent such concepts are relevant with respect to such Security or other type of Investment Property) duly and validly issued, are fully paid and non-assessable and constitute the percentage of the issued and outstanding shares of stock (or other equity interests) of the respective issuers thereof indicated on Exhibit "A" hereto and (ii) with respect to any certificates delivered to the Collateral Agent representing an ownership interest in a partnership or limited liability company and in which such Grantor is granting a security interest pursuant to this Security Agreement, either such certificates are Securities as defined in Article 8 of the New York UCC of the applicable jurisdiction as a result of actions by the issuer or otherwise, or, if such certificates are not Securities, such Grantor has so informed the Collateral Agent so that the Collateral Agent may take steps to perfect its security interest therein as a General Intangible.

#### ARTICLE IV

##### COVENANTS

From the date of this Security Agreement, and thereafter until this Security Agreement is terminated:

#### 4.1. General.

4.1.1 Inspection. Each Grantor will permit the Collateral Agent or any Lender, by its representatives and agents (i) to inspect the Collateral, (ii) to examine and make copies of the records of such Grantor relating to the Collateral and (iii) to discuss the Collateral and the related records of such Grantor with, and to be advised as to the same by, such Grantor's officers and employees all at such reasonable times and intervals as the Collateral Agent or such Lender may determine.

4.1.2 Records and Reports. Each Grantor will maintain complete and accurate books and records with respect to the Collateral owned by such Grantor, and furnish to the Collateral Agent, with sufficient copies for each of the Lenders, such reports relating to the Collateral as the Collateral Agent shall from time to time reasonably request.

4.1.3 Financing Statements and Other Actions; Defense of Title. Each Grantor hereby authorizes the Collateral Agent to file, and if requested will execute and deliver to the Collateral Agent, all financing statements describing the Collateral owned by such Grantor and other documents and take such other actions as may from time to time be reasonably requested by the Collateral Agent in order to maintain a first perfected security interest in and, if applicable, Control of, the Collateral owned by such Grantor. Each Grantor will take any and all actions necessary to defend title to the Collateral owned by such Grantor against all persons and to defend the security interest of the Collateral Agent in such Collateral and the priority thereof against any Lien not expressly permitted hereunder.

4.1.4 Change in Corporate Existence, Type or Jurisdiction of Organization, Location, Name. Each Grantor will preserve its existence, not change its state of organization, and not change its mailing address, unless, in each such case, such Grantor shall have given the Collateral Agent not less than 10 days' prior written notice of such event or occurrence and the Collateral Agent shall have either (x) determined that such event or occurrence will not adversely affect the validity, perfection or priority of the Collateral Agent's security interest in the Collateral owned by such Grantor, or (y) taken such steps (with the cooperation of such Grantor to the extent necessary or advisable) as are necessary or advisable to properly maintain the validity, perfection and priority of the Collateral Agent's security interest in the Collateral owned by such Grantor.

4.2. Instruments and Securities. Each Grantor will (i) deliver to the Collateral Agent immediately upon execution of this Security Agreement the originals of all Securities constituting Collateral owned by such Grantor (if any then exist), (ii) deliver to the Collateral Agent within thirty days after execution of this Security Agreement the originals of all Instruments constituting Collateral owned by such Grantor (if any then exist) and (iii) hold in trust for the Collateral Agent upon receipt and immediately thereafter deliver to the Collateral Agent any additional Securities and Instruments constituting Collateral owned by such Grantor.

4.3. Uncertificated Securities and Certain Other Investment Property. Each Grantor will permit the Collateral Agent from time to time to cause the appropriate issuers (and, if held with a securities intermediary, such securities intermediary) of uncertificated securities or other types of Investment Property not represented by certificates which are Collateral owned by such Grantor to mark their books and records with the numbers and face amounts of all such uncertificated securities or other types of Investment Property not represented by certificates and all rollovers and replacements therefor to reflect the Lien of the Collateral Agent granted pursuant to this Security Agreement. Each Grantor will use all commercially reasonable efforts, with respect to Investment Property constituting Collateral owned by such Grantor held with a financial intermediary, to cause such financial intermediary to enter into a control agreement with the Collateral Agent in form and substance reasonably satisfactory to the Collateral Agent.

4.4. Stock and Other Ownership Interests. Each Grantor will permit any registerable Collateral owned by such Grantor to be registered in the name of the Collateral Agent or its nominee at any time at the option of the Required Secured Parties following the occurrence and during the continuance of an Event of Default.

#### 4.5. Voting Rights and Dividends

4.5.1 Rights Prior to Default. So long as no Event of Default, and no Default under Section 9.01(f) of the Credit Agreement, shall have occurred and be continuing:

(i) Until the Collateral Agent shall have notified each Grantor in writing to the contrary, such Grantor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Collateral owned by such Grantor or any part thereof for any purpose not inconsistent with the terms of this Security Agreement or the Credit Agreement; provided, however, that each Grantor shall not exercise or refrain from exercising any such right if such action would have a material adverse effect on the value of the Collateral.

(ii) Each Grantor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Collateral owned by such Grantor, provided, however, that any and all (a) dividends and interest paid or payable other than in cash in respect of, and securities, instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any such Collateral, and (b) dividends, interest and other distributions paid or payable in cash in respect of any such Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, shall be, and shall be forthwith delivered to the Collateral Agent to hold as, Collateral and shall, if received by such Grantor, be received in trust for the benefit of the Collateral Agent, be segregated from the other property or funds of such Grantor, and be forthwith delivered to the Collateral Agent as Collateral in the same form as so received (with any necessary indorsement or assignment).

(iii) The Collateral Agent shall execute and deliver (or cause to be executed and delivered) to each Grantor all such proxies and other instruments as such Grantor may reasonably request for the purpose of enabling such Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to paragraph (i), above, and to receive the dividends and interest which it is authorized to receive and retain pursuant to paragraph (ii), above.

4.5.2 Rights During Default. Upon the occurrence and during the continuance of a Default under Section 9.01(f) of the Credit Agreement or an Event of Default:

(i) Upon written notice to such Grantor by the Collateral Agent, all rights of such Grantor to exercise or refrain from exercising the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 4.5.1(i) and to receive the dividends and interest which it would otherwise be authorized to receive and retain pursuant to Section 4.5.1(ii) shall cease, and all such rights shall thereupon become vested in the Collateral Agent who shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Collateral such dividends and interest.

(ii) All dividends and interest and other property which are received by any Grantor contrary to the provisions of paragraph (i) of this Section 4.5.2 shall

be received in trust for the benefit of the Collateral Agent, shall be segregated from other funds of such Grantor and shall be forthwith paid over to the Collateral Agent as Collateral in the same form as so received (with any necessary indorsement).

#### ARTICLE V

##### DEFAULT

5.1. Default. The occurrence of any "Event of Default" under, and as defined in, the Credit Agreement shall constitute an Event of Default hereunder.

5.2. Acceleration and Remedies. Upon the acceleration of the Obligations under the Credit Agreement pursuant to Section 9.02 thereof, the Collateral Agent may, with the concurrence or at the direction of the Required Secured Parties, exercise any or all of the following rights and remedies:

5.2.1 Those rights and remedies provided in this Security Agreement, the Credit Agreement, or any other Loan Document, provided that this Section 5.2.1 shall not be understood to limit any rights or remedies available to the Collateral Agent and the Lenders prior to an Event of Default.

5.2.2 Those rights and remedies available to a secured party under the New York UCC (whether or not the New York UCC applies to the affected Collateral) or under any other applicable law (including, without limitation, any law governing the exercise of a bank's right of setoff or bankers' lien) when a debtor is in default under a security agreement.

5.2.3 Without notice except as specifically provided herein, sell, lease, assign, grant an option or options to purchase or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable.

The Collateral Agent may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

#### ARTICLE VI

##### WAIVERS, AMENDMENTS AND REMEDIES

6.1. No delay or omission of the Collateral Agent or any Lender to exercise any right or remedy granted under this Security Agreement shall impair such right or remedy or be construed to be a waiver of any Event of Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver, amendment or other variation of the terms, conditions or provisions of this

Security Agreement whatsoever shall be valid unless in writing signed by the Collateral Agent with the concurrence or at the direction of the Lenders required under Section 11.01 of the Credit Agreement and each Grantor, and then only to the extent in such writing specifically set forth. All rights and remedies contained in this Security Agreement or by law afforded shall be cumulative and all shall be available to the Collateral Agent and the Lenders until the Obligations have been paid in full.

#### ARTICLE VII

##### RIGHTS OF CONTRIBUTION WITH RESPECT TO OBLIGATIONS

7.1. Rights of Contribution. To the extent that any payment is made on the Obligations by or on behalf of any Guarantor or Grantor (each, an "Obligor") under or pursuant to the Guaranty or this Security Agreement (an "Obligor Payment") which, taking into account all other Obligor Payments then previously or concurrently made by any other Obligor, exceeds the amount which otherwise would have been paid by or attributable to such Obligor if each Obligor had paid the aggregate Obligations satisfied by such Obligor Payment in the same proportion as such Obligor's "Allocable Amount" (as defined below) (as determined immediately prior to such Obligor Payment) bore to the aggregate Allocable Amounts of each of the Obligors as determined immediately prior to the making of such Obligor Payment, then, following payment in full in cash of the Obligations and the termination or expiration of all Commitments, such Obligor shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Obligor for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Obligor Payment.

7.2. Allocable Amount. As of any date of determination, the "Allocable Amount" of any Obligor shall be equal to the maximum amount of the claim which could then be recovered from such Obligor with respect to the Obligations without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

7.3. Rights Among Obligors. This Section 7.3 is intended only to define the relative rights of the Obligors, and nothing set forth in this Section 7.3 is intended to or shall impair the obligations of the Obligors to pay any amounts as and when the same shall become due and payable in accordance with the terms of the Guaranty or this Security Agreement.

7.4. Rights as Assets. The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Obligors to which such contribution and indemnification is owing.

7.5. Rights Deferred. The rights of the indemnifying Obligors against other Obligors with respect to any payments on the Obligations shall be exercisable upon the

full payment of the Obligations in cash and the termination or expiry of the Commitments.

#### ARTICLE VIII

##### SUBORDINATION OF INTERCOMPANY INDEBTEDNESS

8.1. Each Grantor agrees that any and all claims of such Grantor against any other Loan Party with respect to any "Intercompany Indebtedness" (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations. If all or any part of the assets of any Loan Party, or the proceeds thereof, are subject to any distribution, division or application to the creditors of such Loan Party, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any such Loan Party is dissolved or if substantially all of the assets of any such Loan Party are sold, then, and in any such event (such events being herein referred to as an "Insolvency Event"), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Loan Party to any Grantor ("Intercompany Indebtedness") shall be paid or delivered directly to the Collateral Agent for application to the Obligations, whether matured or unmatured. Should any payment, distribution, security or instrument or proceeds thereof be received by any Grantor upon or with respect to the Intercompany Indebtedness after any Insolvency Event and prior to the satisfaction of all of the Obligations and the termination or expiration of all Commitments of the Lenders, such Grantor shall receive and hold the same in trust, as trustee, for the benefit of the Lenders and shall forthwith deliver the same to the Collateral Agent, for the benefit of the Lenders, in precisely the form received (except for the endorsement or assignment of the Obligor where necessary), for application to the Obligations, whether matured or unmatured, and, until so delivered, the same shall be held in trust by such Grantor as the property of the Lenders.

#### ARTICLE IX

##### GENERAL PROVISIONS

9.1. Secured Party Performance of Grantor's Obligations. Without having any obligation to do so, the Collateral Agent may perform or pay any obligation which any Grantor has agreed to perform or pay in this Security Agreement and such Grantor shall reimburse the Collateral Agent for any reasonable amounts paid by the Collateral Agent pursuant to this Section 9.1. Each Grantor's obligation to reimburse the Collateral Agent pursuant to the preceding sentence shall be an Obligation payable on demand.

9.2. Authorization for Secured Party to Take Certain Action. Each Grantor irrevocably authorizes the Collateral Agent at any time and from time to time in the sole discretion of the Collateral Agent and appoints the Collateral Agent as its attorney in fact (i) to contact and enter into one or more agreements with the issuers of uncertificated securities which are Collateral owned by such Grantor and which are Securities or with financial intermediaries holding other Investment Property as may be necessary or advisable solely to give the Collateral Agent Control over such Securities or other Investment Property, (ii) following the occurrence and during the continuance of an Event of Default, to enforce payment of the Instruments and Accounts which are Collateral in the name of the Collateral Agent or such Grantor, (iii) following the occurrence and during the continuance of an Event of Default, to apply the proceeds of any Collateral received by the Collateral Agent to the Obligations and (iv) to discharge past due taxes, assessments, charges, fees or Liens on the Collateral (except for such Liens as are specifically permitted hereunder or under any other Loan Document), and each Grantor agrees to reimburse the Collateral Agent on demand for any reasonable payment made or any reasonable expense incurred by the Collateral Agent in connection therewith, provided that this authorization shall not relieve any Grantor of any of its obligations under this Security Agreement or under the Credit Agreement.

9.3. Benefit of Agreement. The terms and provisions of this Security Agreement shall be binding upon and inure to the benefit of the Grantors, the Collateral Agent and the Lenders and their respective successors and assigns (including all persons who become bound as a debtor to this Security Agreement), except that the Grantors shall not have the right to assign their rights or delegate their obligations under this Security Agreement or any interest herein, without the prior written consent of the Collateral Agent.

9.4. Survival of Representations. All representations and warranties of the Grantors contained in this Security Agreement shall survive the execution and delivery of this Security Agreement.

9.5. Taxes and Expenses. Any stamp, documentary or (to the extent provided in the Credit Agreement) withholding taxes payable or ruled payable by Federal or State authority in respect of this Security Agreement shall be paid by the Grantors, together with interest and penalties, if any. The Grantors shall reimburse the Collateral Agent for any and all reasonable out-of-pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of the Collateral Agent) paid or incurred by the Collateral Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this Security Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). Any and all costs and expenses incurred by the Grantors in the performance of actions required pursuant to the terms hereof shall be borne solely by the Grantors.

9.6. Headings. The title of and section headings in this Security Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Security Agreement.

9.7. CHOICE OF LAW. SUBMISSION TO JURISDICTION. THIS SECURITY AGREEMENT 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). EACH OF THE GRANTORS AND THE COLLATERAL AGENT (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 GRANTORS AGREES THAT THE COLLATERAL AGENT SHALL HAVE THE RIGHT TO PROCEED AGAINST SUCH GRANTOR OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE 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 COLLATERAL AGENT OR THE LENDERS. EACH GRANTOR AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY THE COLLATERAL AGENT TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE COLLATERAL AGENT. EACH GRANTOR WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE COLLATERAL AGENT MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

9.8. Indemnity. Each Grantor hereby agrees, jointly with the other Grantors and severally, to indemnify the Collateral Agent and its successors, assigns, agents and employees (each, an "indemnified party"), from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all expenses of litigation or preparation therefor whether or not the Collateral Agent is a party thereto) imposed on, incurred by or asserted against the Collateral Agent, or its successors, assigns, agents and employees, in any way relating to or arising out of this Security Agreement, or the ownership, delivery, possession, or other disposition of any Collateral except to the extent that such liabilities, damages, penalties, costs or expenses were caused by the gross negligence or willful misconduct of such indemnified party.

9.9. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including facsimile communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered, if to any Grantors, c/o CMS Enterprises Company at its address at Fairlane Plaza South, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126, Attention: General Counsel, and if to the Collateral Agent, at its address specified in the Credit Agreement, or, as to either party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and other communications shall, when mailed or telecopied, be effective five days after when deposited in the mails, or when telecopied.

9.10. Continuing Security Interest; Assignments under Credit Agreement. This Security Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the earlier to occur of (x) the payment in full of all Obligations of the Borrower now or hereafter existing under the Credit Agreement, whether for principal, interest, fees, expenses or otherwise, and all other amounts payable under this Security Agreement, and the expiration or termination of the Commitments and (y) the release by the Lenders of their Lien on all of the Collateral, (ii) be binding upon the Grantors, their respective successors and assigns, and (iii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of, and be enforceable by, the Collateral Agent and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitment, the Loans owing to it and any Promissory Note held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, subject, however to the provisions of Sections 10.03 and 11.07 of the Credit Agreement. Upon the earlier to occur of (A) the payment in full of all Obligations of the Borrower now or hereafter existing under the Credit Agreement, whether for principal, interest, fees, expenses or otherwise, and all other amounts payable under this Security Agreement, and the expiration or termination of the Commitments and (B) the release by the Lenders of their Lien on all of the Collateral, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Grantors. In addition, the Collateral Agent shall release any Collateral as permitted or required pursuant to Section 10.03 of the Credit Agreement. Upon any such termination, the Collateral Agent will, at the Grantors' expense, return to the Grantors such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof and execute and deliver to the Grantors such documents as any Grantor shall reasonably request to evidence such termination.

9.11. WAIVER OF JURY TRIAL. THE GRANTORS AND THE COLLATERAL AGENT 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.

IN WITNESS WHEREOF, each of the Grantors and the Collateral Agent have executed this Security Agreement as of the date first above written.

CMS ENTERPRISES COMPANY

By: /s/ Alan M. Wright

-----  
Alan M. Wright

Its: Executive Vice President,  
Chief Financial Officer &  
Chief Administrative Officer

CMS GENERATION CO.

By: /s/ Michael D. VanHemert

-----  
Michael D. VanHemert

Its: Vice President and Secretary

CMS GAS TRANSMISSION COMPANY

By: /s/ Carol Isles

-----  
Carol Isles

Its: Vice President and Controller

CMS CAPITAL, L.L.C.

By: /s/ Alan M. Wright

-----  
Alan M. Wright

Its: President and Chief Executive Officer

CMS ELECTRIC AND GAS COMPANY

By: /s/ Alan M. Wright

-----  
Alan M. Wright

Its: Vice President

CMS OIL AND GAS COMPANY

By: /s/ Michael D. VanHemert

-----  
Michael D. VanHemert

Its: Vice President and Secretary

CMS MARKETING, SERVICES AND TRADING COMPANY

By: /s/ Laura L. Mountcastle

-----  
Laura L. Mountcastle

Its: Vice President and Treasurer

CMS INTERNATIONAL VENTURES, L.L.C.

By: /s/ Michael D. VanHemert

-----  
Michael D. VanHemert

Its: Vice President and Secretary

CMS GENERATION MICHIGAN POWER L.L.C.

By: /s/ Thomas W. Elward

-----  
Thomas W. Elward

Its: President

DEARBORN INDUSTRIAL ENERGY, LLC

By: /s/ Thomas W. Elward

-----  
Thomas W. Elward

Its: President

SIGNATURE PAGE TO PLEDGE AND SECURITY AGREEMENT

DEARBORN INDUSTRIAL GENERATION, L.L.C.

By: /s/ Thomas W. Elward

-----  
Thomas W. Elward  
Its: President

CMS GAS PROCESSING, L.L.C.

By: /s/ Michael D. VanHemert

-----  
Michael D. VanHemert  
Its: Vice President and Secretary of CMS  
Field Services, Inc.  
Its Sole Member

CMS FIELD SERVICES, INC.

By: /s/ Michael D. VanHemert

-----  
Michael D. VanHemert  
Its: Vice President and Secretary

CMS NATURAL GAS GATHERING, L.L.C.

By: /s/ Michael D. VanHemert

-----  
Michael D. VanHemert  
Its: Vice President and Secretary of CMS  
Field Services, Inc.  
Its Sole Member

AGREED AND ACKNOWLEDGED:

CITICORP USA, INC., as Collateral Agent

By: /s/ Dale R. Goncher

-----  
Dale R. Goncher  
Title: Director

SIGNATURE PAGE TO PLEDGE AND SECURITY AGREEMENT

EXHIBIT "A"

List of Pledged Securities  
(See Section 3.4 of Security Agreement)

STOCK OWNED BY CMS ENTERPRISES COMPANY:

Certificate  
Number  
Percentage  
Issuer  
Number of  
Shares  
Ownership  
Interest -  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-- CMS  
Generation  
Co. 21 10  
100% CMS  
Gas  
Transmission  
Company  
(f/k/a CMS  
Gas 1 170  
100%  
Transmission  
and Storage  
Company)  
CMS  
Electric  
and Gas  
Company 1  
10 100% CMS  
Oil and Gas  
Company  
(f/k/a  
Northern  
Michigan 36  
20,000,000  
100%  
Exploration  
Company)  
CMS  
Marketing,  
Services  
and Trading  
Company 1  
10 100%

INSTRUMENTS OWNED BY CMS ENTERPRISES COMPANY:

Obligor  
Amount  
Interest  
Rate  
Maturity  
- ----  
-- ----  
-- ----  
-----  
-- ----  
----  
None

GENERAL INTANGIBLES AND OTHER SECURITIES OR OTHER INVESTMENT PROPERTY  
(CERTIFICATED AND UNCERTIFICATED) OWNED BY CMS ENTERPRISES COMPANY:

Percentage  
Ownership  
Issuer  
Description  
of  
Collateral  
Interest - -  
-----  
-----  
----- CMS  
Capital,  
L.L.C.  
Limited  
liability  
company

interests  
100% CMS  
International  
Ventures,  
Limited  
liability  
company  
interests  
66.7% L.L.C.

EXHIBIT "A" (continued)

List of Pledged Securities  
(See Section 3.4 of Security Agreement)

STOCK OWNED BY CMS GENERATION CO.:

Issuer  
Certificate  
Number  
Number of  
Shares  
Percentage  
Ownership  
Interest -  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-----  
-- None

INSTRUMENTS OWNED BY CMS GENERATION CO.:

Obligor  
Amount  
Interest  
Rate  
Maturity  
- ----  
-- ----  
-- ----  
-----  
-- ----  
----  
None

GENERAL INTANGIBLES AND OTHER SECURITIES OR OTHER INVESTMENT PROPERTY  
(CERTIFICATED AND UNCERTIFICATED) OWNED BY CMS GENERATION CO.:

Percentage  
Ownership  
Issuer  
Description  
of  
Collateral  
Interest - -  
-----  
-----  
-----  
----- CMS  
International  
Ventures,  
L.L.C.  
Limited  
liability  
company  
interests  
33.3%  
Dearborn  
Industrial  
Energy, LLC  
Limited  
liability  
company  
interests  
100% CMS  
General  
Michigan  
Power L.L.C.  
Limited  
liability  
company  
interests  
100%



EXHIBIT "A" (continued)

List of Pledged Securities  
(See Section 3.4 of Security Agreement)

STOCK OWNED BY CMS GAS TRANSMISSION COMPANY:

Percentage Certificate Number of Ownership Issuer Number Shares Interest - ----- ----- ----- -----
CMS Field Services Inc. (f/k/a CMS Continental Natural 1 10 100% Gas, Inc.) Panhandle Eastern Pipe Line Company 4 1,000 100%

INSTRUMENTS OWNED BY CMS GAS TRANSMISSION COMPANY:

Obligor Amount Interest Rate Maturity - -- -- ----- -- ---- None
---

GENERAL INTANGIBLES AND OTHER SECURITIES OR OTHER INVESTMENT PROPERTY  
(CERTIFICATED AND UNCERTIFICATED) OWNED BY CMS GAS TRANSMISSION COMPANY:

Issuer Description of Collateral Percentage Ownership Interest - ----- ----- -- ----- ----- -- None
---



EXHIBIT "B"  
(See Section 3.1 of Security Agreement)

OFFICES IN WHICH FINANCING STATEMENTS HAVE BEEN FILED

A. FOR ALL GRANTORS OTHER THAN CMS GAS PROCESSING, L.L.C. AND CMS NATURAL GAS GATHERING, L.L.C.

Secretary of State of Michigan

B. FOR CMS GAS PROCESSING, L.L.C. AND CMS NATURAL GAS GATHERING, L.L.C.

Clerk of Oklahoma County, Oklahoma

CMS ENERGY  
PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (the "Security Agreement"), dated as of July 12, 2002, is made by CMS ENERGY CORPORATION, a corporation organized and existing under the laws of the State of Michigan (the "Grantor"), to CITICORP USA, INC. ("CUSA"), as Collateral Agent (the "Collateral Agent") for the lenders (the "Lenders") parties to the Credit Agreements (as hereinafter defined).

PRELIMINARY STATEMENTS

(1) Barclays Bank PLC, as Administrative Agent, CUSA, as Collateral Agent, and the Lenders have entered into two Amended and Restated Credit Agreements, each dated as of July 12, 2002, one maturing March 31, 2003 and the other maturing December 15, 2003 (said Agreements, as they may hereafter be amended or otherwise modified from time to time, being the "Credit Agreements", the terms defined therein and not otherwise defined herein being used herein as therein defined), with the Grantor.

(2) The Grantor is the owner of the Collateral described in Exhibit "A" hereto.

(3) It is a condition precedent to the effectiveness of the Credit Agreements that the Grantor shall have made the pledge contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Extensions of Credit under the Credit Agreements, the Grantor hereby agrees with the Collateral Agent for its benefit and the ratable benefit of the Lenders, as follows:

ARTICLE I

DEFINITIONS

1.1. Terms Defined in Credit Agreements. All capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreements.

1.2. Terms Defined in New York Uniform Commercial Code. Terms defined in the New York UCC which are not otherwise defined in this Security Agreement are used herein as defined in the New York UCC.

1.3. Definitions of Certain Terms Used Herein. As used in this Security Agreement, in addition to the terms defined in the Preliminary Statements, the following terms shall have the following meanings:

"Accounts" shall have the meaning set forth in Article 9 of the New York UCC.

"Article" means a numbered article of this Security Agreement, unless another document is specifically referenced.

"Collateral" means all Accounts and Instruments payable to the Grantor by Enterprises or any of its Subsidiaries (including, without limitation, the Instruments described on Exhibit "A"), the Investment Property described on Exhibit "A" and General Intangibles constituting payment obligations of Enterprises or any of its Subsidiaries to the Grantor and General Intangibles constituting the Grantor's right, title and interest in any limited liability company or partnership described on Exhibit "A" in which the Grantor now has or hereafter acquires any right or interest, and the proceeds (including Stock Rights) and products thereof, together with records related thereto.

"Control" shall have the meaning set forth in Article 8 or, if applicable, in Section 9-104, 9-105, 9-106 or 9-107 of Article 9 of the New York UCC.

"Default" means an event which but for the lapse of time or the giving of notice, or both, would constitute an Event of Default.

"Event of Default" means an event described in Section 5.1.

"Exhibit" refers to a specific exhibit to this Security Agreement, unless another document is specifically referenced.

"General Intangibles" shall have the meaning set forth in Article 9 of the New York UCC.

"Instruments" shall have the meaning set forth in Article 9 of the New York UCC.

"Investment Property" shall have the meaning set forth in Article 9 of the New York UCC.

"Lenders" means the lenders party to either of the Credit Agreements and their successors and assigns.

"New York UCC" means the New York Uniform Commercial Code as in effect from time to time.

"Obligations" means any and all existing and future indebtedness, obligations and liabilities of every kind, nature and character, direct or indirect, absolute or contingent (including all renewals, extensions and modifications thereof and all reasonable and reimbursable fees, costs and expenses incurred by the Collateral Agent or the Lenders in connection with the preparation, administration, collection or enforcement thereof), of the Grantor to the Collateral Agent or any Lender, arising under or pursuant to this Security Agreement, either of the Credit Agreements and any other Loan Document.

"Permitted Liens" means the Liens permitted to be created, incurred or assumed or otherwise to exist pursuant to Section 8.02(a) of each of the Credit Agreements.

"Required Secured Parties" means, Lenders holding in the aggregate at least fifty-one percent (51%) of the aggregate of the Commitments under the Credit Agreements, or if the Commitments have terminated the unpaid principal amount of outstanding Debt under the Credit Agreements.

"Section" means a numbered section of this Security Agreement, unless another document is specifically referenced.

"Security" has the meaning set forth in Article 8 of the New York UCC.

"Stock Rights" means any securities, dividends or other distributions and any other right or property which the Grantor shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any securities or other ownership interests in a corporation, partnership, joint venture or limited liability company constituting Collateral and any securities, any right to receive securities and any right to receive earnings, in which the Grantor now has or hereafter acquires any right, issued by an issuer of such securities.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms.

## ARTICLE II

### GRANT OF SECURITY INTEREST

2.1. The Grantor hereby pledges, assigns and grants to the Collateral Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of the Grantor's right, title and interest, whether now owned or hereafter acquired, in and to the Collateral to secure the prompt and complete payment and performance of the Obligations, provided, however, that the principal amount of the Obligations secured by the security interests granted pursuant to this Security Agreement shall not exceed the lesser of (x) an amount that would cause all secured Indebtedness of Grantor outstanding on the date hereof to exceed 5% of the "Consolidated Net Tangible Assets" (as defined in the Twelfth Supplemental Indenture dated as of July 2, 2001 between the Grantor and Bank One Trust Company, N.A. (successor to NBD Bank) with respect to the Grantor's original Indenture dated as of September 15, 1992) as of the date hereof and (y) an amount that would cause all secured Indebtedness of Grantor outstanding on the date hereof to exceed 10% of "Consolidated Assets" (as defined in the Sixth Supplemental Indenture dated as of March 19, 1996 between the Grantor and The Chase Manhattan Bank (National Association) with respect to the Grantor's original Indenture dated as of January 15, 1994) of Grantor at such date.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

The Grantor represents and warrants to the Collateral Agent and the Lenders that:

3.1. Title, Authorization, Validity and Enforceability. The Grantor has good and valid rights in or the power to transfer the Collateral and title to the Collateral with respect to which it has purported to grant a security interest hereunder, free and clear of all Liens (other than Permitted Liens), and has full power and authority to grant to the Collateral Agent the security interest in such Collateral pursuant hereto. The execution and delivery by the Grantor of this Security Agreement has been duly authorized by proper corporate or other proceedings, and this Security Agreement constitutes a legal, valid and binding obligation of the Grantor and creates a security interest which is enforceable against the Grantor in all now owned and hereafter acquired Collateral. When financing statements have been filed in the appropriate offices against the Grantor in the locations listed on Exhibit "B", the Collateral Agent will have a fully perfected first priority security interest in the Collateral in which a security interest may be perfected by filing.

3.2. Conflicting Laws and Contracts. The execution, delivery and performance by the Grantor of this Security Agreement (i) are within the Grantor'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 the Grantor (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 the Grantor or of law, (C) violate any legal restriction binding on or affecting the Grantor, (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 the Grantor 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 as defined in each of the Credit Agreements and the Enterprises Credit Agreement) upon or with respect to any of its properties.

3.3. Type and Jurisdiction of Organization. The Grantor is a corporation organized under the laws of the State of Michigan.

3.4. Pledged Securities and Other Investment Property. Exhibit "A" sets forth a complete and accurate list of the Instruments, Securities and other Investment Property delivered to the Collateral Agent. The Grantor is the direct and beneficial owner of each Instrument, Security and other type of Investment Property listed on Exhibit "A" as being owned by it, free and clear of any Liens, except for the security interest granted to the Collateral Agent for the benefit of the Lenders hereunder and other Permitted Liens. The Grantor further represents and warrants that (i) all such Securities or other types of Investment Property which are shares of stock in a corporation or ownership interests in a partnership or limited liability company and in which the Grantor is granting a security

interest pursuant to this Security Agreement have been (to the extent such concepts are relevant with respect to such Security or other type of Investment Property) duly and validly issued, are fully paid and non-assessable and constitute the percentage of the issued and outstanding shares of stock (or other equity interests) of the respective issuers thereof indicated on Exhibit "A" hereto and (ii) with respect to any certificates delivered to the Collateral Agent representing an ownership interest in a partnership or limited liability company and in which the Grantor is granting a security interest pursuant to this Security Agreement, either such certificates are Securities as defined in Article 8 of the New York UCC of the applicable jurisdiction as a result of actions by the issuer or otherwise, or, if such certificates are not Securities, the Grantor has so informed the Collateral Agent so that the Collateral Agent may take steps to perfect its security interest therein as a General Intangible.

#### ARTICLE IV

##### COVENANTS

From the date of this Security Agreement, and thereafter until this Security Agreement is terminated:

#### 4.1. General.

4.1.1 Inspection. The Grantor will permit the Collateral Agent or any Lender, by its representatives and agents (i) to inspect the Collateral, (ii) to examine and make copies of the records of the Grantor relating to the Collateral and (iii) to discuss the Collateral and the related records of the Grantor with, and to be advised as to the same by, the Grantor's officers and employees all at such reasonable times and intervals as the Collateral Agent or such Lender may determine.

4.1.2 Records and Reports. The Grantor will maintain complete and accurate books and records with respect to the Collateral, and furnish to the Collateral Agent, with sufficient copies for each of the Lenders, such reports relating to the Collateral as the Collateral Agent shall from time to time reasonably request.

4.1.3 Financing Statements and Other Actions; Defense of Title. The Grantor hereby authorizes the Collateral Agent to file, and if requested will execute and deliver to the Collateral Agent, all financing statements describing the Collateral and other documents and take such other actions as may from time to time be reasonably requested by the Collateral Agent in order to maintain a first perfected security interest in and, if applicable, Control of, the Collateral. The Grantor will take any and all actions necessary to defend title to the Collateral against all persons and to defend the security interest of the Collateral Agent in the Collateral and the priority thereof against any Lien not expressly permitted hereunder.

4.1.4 Change in Corporate Existence, Type or Jurisdiction of Organization, Location, Name. The Grantor will preserve its existence as a corporation, not change its state of organization, and not change its mailing address, unless, in each

such case, the Grantor shall have given the Collateral Agent not less than 10 days' prior written notice of such event or occurrence and the Collateral Agent shall have either (x) determined that such event or occurrence will not adversely affect the validity, perfection or priority of the Collateral Agent's security interest in the Collateral, or (y) taken such steps (with the cooperation of the Grantor to the extent necessary or advisable) as are necessary or advisable to properly maintain the validity, perfection and priority of the Collateral Agent's security interest in the Collateral.

4.2. Instruments and Securities. The Grantor will (i) deliver to the Collateral Agent immediately upon execution of this Security Agreement the originals of all Securities constituting Collateral (if any then exist), (ii) deliver to the Collateral Agent within thirty days after execution of this Security Agreement the originals of all Instruments constituting Collateral owned by the Grantor (if any then exist) and (iii) hold in trust for the Collateral Agent upon receipt and immediately thereafter deliver to the Collateral Agent any additional Securities and Instruments constituting Collateral.

4.3. Uncertificated Securities and Certain Other Investment Property. The Grantor will permit the Collateral Agent from time to time to cause the appropriate issuers (and, if held with a securities intermediary, such securities intermediary) of uncertificated securities or other types of Investment Property not represented by certificates which are Collateral to mark their books and records with the numbers and face amounts of all such uncertificated securities or other types of Investment Property not represented by certificates and all rollovers and replacements therefor to reflect the Lien of the Collateral Agent granted pursuant to this Security Agreement. The Grantor will use all commercially reasonable efforts, with respect to Investment Property constituting Collateral held with a financial intermediary, to cause such financial intermediary to enter into a control agreement with the Collateral Agent in form and substance reasonably satisfactory to the Collateral Agent.

4.4. Stock and Other Ownership Interests. The Grantor will permit any registerable Collateral to be registered in the name of the Collateral Agent or its nominee at any time at the option of the Required Secured Parties following the occurrence and during the continuance of an Event of Default.

#### 4.5. Voting Rights and Dividends

4.5.1 Rights Prior to Default. So long as no Event of Default, and no Default under Section 9.01(f) of the Credit Agreements, shall have occurred and be continuing:

(i) Until the Collateral Agent shall have notified the Grantor in writing to the contrary, the Grantor shall be entitled to exercise or refrain from exercising any and all voting and other consensual rights pertaining to the Collateral or any part thereof for any purpose not inconsistent with the terms of this Security Agreement or either of the Credit Agreements; provided, however, that the Grantor shall not exercise or refrain from exercising any such right if such action would have a material adverse effect on the value of the Collateral.

(ii) The Grantor shall be entitled to receive and retain any and all dividends and interest paid in respect of the Collateral, provided, however, that any and all (a) dividends and interest paid or payable other than in cash in respect of, and securities, instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Collateral, and (b) dividends, interest and other distributions paid or payable in cash in respect of any Collateral in connection with a partial or total liquidation or dissolution or in connection with a reduction of capital, capital surplus or paid-in-surplus, shall be, and shall be forthwith delivered to the Collateral Agent to hold as, Collateral and shall, if received by the Grantor, be received in trust for the benefit of the Collateral Agent, be segregated from the other property or funds of the Grantor, and be forthwith delivered to the Collateral Agent as Collateral in the same form as so received (with any necessary indorsement or assignment).

(iii) The Collateral Agent shall execute and deliver (or cause to be executed and delivered) to the Grantor all such proxies and other instruments as the Grantor may reasonably request for the purpose of enabling the Grantor to exercise the voting and other rights which it is entitled to exercise pursuant to paragraph (i), above, and to receive the dividends and interest which it is authorized to receive and retain pursuant to paragraph (ii), above.

4.5.2 Rights During Default. Upon the occurrence and during the continuance of a Default under Section 9.01(f) of the Credit Agreements or an Event of Default:

(iv) Upon written notice to the Grantor by the Collateral Agent, all rights of the Grantor to exercise or refrain from exercising the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 4.5.1(i) and to receive the dividends and interest which it would otherwise be authorized to receive and retain pursuant to Section 4.5.1(ii) shall cease, and all such rights shall thereupon become vested in the Collateral Agent who shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Collateral such dividends and interest.

(v) All dividends and interest and other property which are received by the Grantor contrary to the provisions of paragraph (i) of this Section 4.5.2 shall be received in trust for the benefit of the Collateral Agent, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Collateral Agent as Collateral in the same form as so received (with any necessary indorsement).

## ARTICLE V

### DEFAULT

5.1. Default. The occurrence of any "Event of Default" under, and as defined in, either of the Credit Agreements shall constitute an Event of Default hereunder.

5.2. Acceleration and Remedies. Upon the acceleration of the Obligations under either of the Credit Agreements pursuant to Section 9.02 thereof, the Collateral Agent may, with the concurrence or at the direction of the Required Secured Parties, exercise any or all of the following rights and remedies:

5.2.1 Those rights and remedies provided in this Security Agreement, the Credit Agreements, or any other Loan Document, provided that this Section 5.2.1 shall not be understood to limit any rights or remedies available to the Collateral Agent and the Lenders prior to an Event of Default.

5.2.2 Those rights and remedies available to a secured party under the New York UCC (whether or not the New York UCC applies to the affected Collateral) or under any other applicable law (including, without limitation, any law governing the exercise of a bank's right of setoff or bankers' lien) when a debtor is in default under a security agreement.

5.2.3 Without notice except as specifically provided herein, sell, lease, assign, grant an option or options to purchase or otherwise dispose of the Collateral or any part thereof in one or more parcels at public or private sale, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable.

The Collateral Agent may comply with any applicable state or federal law requirements in connection with a disposition of the Collateral and compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

## ARTICLE VI

### WAIVERS, AMENDMENTS AND REMEDIES

6.1. No delay or omission of the Collateral Agent or any Lender to exercise any right or remedy granted under this Security Agreement shall impair such right or remedy or be construed to be a waiver of any Event of Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude any other or further exercise thereof or the exercise of any other right or remedy. No waiver, amendment or other variation of the terms, conditions or provisions of this Security Agreement whatsoever shall be valid unless in writing signed by the Collateral Agent with the concurrence or at the direction of the Lenders required under Section 11.01 of either of the Credit Agreements and the Grantor, and then only to the extent in such writing specifically set forth. All rights and remedies contained in this Security Agreement or by law afforded shall be cumulative and all shall be available to the Collateral Agent and the Lenders until the Obligations have been paid in full.

ARTICLE VII

SUBORDINATION OF INTERCOMPANY INDEBTEDNESS

7.1. The Grantor agrees that any and all claims of the Grantor against any other Loan Party with respect to any "Intercompany Indebtedness" (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations. If all or any part of the assets of any Loan Party, or the proceeds thereof, are subject to any distribution, division or application to the creditors of such Loan Party, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any such Loan Party is dissolved or if substantially all of the assets of any such Loan Party are sold, then, and in any such event (such events being herein referred to as an "Insolvency Event"), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Loan Party to the Grantor ("Intercompany Indebtedness") shall be paid or delivered directly to the Collateral Agent for application on any of the Obligations, due or to become due, until such Obligations shall have first been fully paid and satisfied in cash. Should any payment, distribution, security or instrument or proceeds thereof be received by the Grantor upon or with respect to the Intercompany Indebtedness after any Insolvency Event and prior to the satisfaction of all of the Obligations and the termination or expiration of all Commitments of the Lenders, the Grantor shall receive and hold the same in trust, as trustee, for the benefit of the Lenders and shall forthwith deliver the same to the Collateral Agent, for the benefit of the Lenders, in precisely the form received (except for the endorsement or assignment of the Obligor where necessary), for application to any of the Obligations, due or not due, and, until so delivered, the same shall be held in trust by the Grantor as the property of the Lenders.

ARTICLE VIII

GENERAL PROVISIONS

8.1. Secured Party Performance of Grantor's Obligations. Without having any obligation to do so, the Collateral Agent may perform or pay any obligation which the Grantor has agreed to perform or pay in this Security Agreement and the Grantor shall reimburse the Collateral Agent for any reasonable amounts paid by the Collateral Agent pursuant to this Section 8.1. The Grantor's obligation to reimburse the Collateral Agent pursuant to the preceding sentence shall be an Obligation payable on demand.

8.2. Authorization for Secured Party to Take Certain Action. The Grantor irrevocably authorizes the Collateral Agent at any time and from time to time in the sole discretion of the Collateral Agent and appoints the Collateral Agent as its attorney in fact

(i) to contact and enter into one or more agreements with the issuers of uncertificated securities which are Collateral and which are Securities or with financial intermediaries holding other Investment Property as may be necessary or advisable solely to give the Collateral Agent Control over such Securities or other Investment Property, (ii) following the occurrence and during the continuance of an Event of Default, to enforce payment of the Instruments and Accounts which are Collateral in the name of the Collateral Agent or the Grantor, (iii) following the occurrence and during the continuance of an Event of Default, to apply the proceeds of any Collateral received by the Collateral Agent to the Obligations and (iv) to discharge past due taxes, assessments, charges, fees or Liens on the Collateral (except for such Liens as are specifically permitted hereunder or under any other Loan Document), and the Grantor agrees to reimburse the Collateral Agent on demand for any reasonable payment made or any reasonable expense incurred by the Collateral Agent in connection therewith, provided that this authorization shall not relieve the Grantor of any of its obligations under this Security Agreement or under the Credit Agreements.

8.3. Benefit of Agreement. The terms and provisions of this Security Agreement shall be binding upon and inure to the benefit of the Grantor, the Collateral Agent and the Lenders and their respective successors and assigns (including all persons who become bound as a debtor to this Security Agreement), except that the Grantor shall not have the right to assign its rights or delegate its obligations under this Security Agreement or any interest herein, without the prior written consent of the Collateral Agent.

8.4. Survival of Representations. All representations and warranties of the Grantor contained in this Security Agreement shall survive the execution and delivery of this Security Agreement.

8.5. Taxes and Expenses. Any stamp, documentary or (to the extent provided in the Credit Agreements) withholding taxes payable or ruled payable by Federal or State authority in respect of this Security Agreement shall be paid by the Grantor, together with interest and penalties, if any. The Grantor shall reimburse the Collateral Agent for any and all reasonable out-of-pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of the Collateral Agent) paid or incurred by the Collateral Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this Security Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). Any and all costs and expenses incurred by the Grantor in the performance of actions required pursuant to the terms hereof shall be borne solely by the Grantor.

8.6. Headings. The title of and section headings in this Security Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Security Agreement.

8.7. CHOICE OF LAW. SUBMISSION TO JURISDICTION. THIS SECURITY AGREEMENT 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). EACH OF THE GRANTOR AND THE COLLATERAL AGENT (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 GRANTOR AGREES THAT THE COLLATERAL AGENT SHALL HAVE THE RIGHT TO PROCEED AGAINST THE GRANTOR OR ITS PROPERTY IN A COURT IN ANY LOCATION TO ENABLE 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 COLLATERAL AGENT OR THE LENDERS. THE GRANTOR AGREES THAT IT WILL NOT ASSERT ANY PERMISSIVE COUNTERCLAIMS IN ANY PROCEEDING BROUGHT BY THE COLLATERAL AGENT TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE COLLATERAL AGENT. THE GRANTOR WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE COLLATERAL AGENT MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

8.8. Indemnity. The Grantor hereby agrees to indemnify the Collateral Agent and its successors, assigns, agents and employees (each, an "indemnified party"), from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature (including, without limitation, all expenses of litigation or preparation therefor whether or not the Collateral Agent is a party thereto) imposed on, incurred by or asserted against the Collateral Agent, or its successors, assigns, agents and employees, in any way relating to or arising out of this Security Agreement, or the ownership, delivery, possession, or other disposition of any Collateral except to the extent that such liabilities, damages, penalties, costs or expenses were caused by the gross negligence or wilful misconduct of such indemnified party.

8.9. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including facsimile communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered, if to the Grantor, at its address at Fairlane Plaza South, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126, Attention: S. Kinnie Smith, Jr., General Counsel, and if to the Collateral Agent, at its

address specified in the Credit Agreement, or, as to either party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and other communications shall, when mailed or telecopied, be effective five days after when deposited in the mails, or when telecopied.

8.10. Continuing Security Interest; Assignments under Credit Agreements. This Agreement shall create a continuing security interest in the Collateral and shall (i) remain in full force and effect until the earlier to occur of (x) the payment in full of all Obligations of the Borrower now or hereafter existing under the Credit Agreements, whether for principal, interest, fees, expenses or otherwise, and all other amounts payable under this Security Agreement, and the expiration or termination of the Commitments and (y) the release by the Lenders of their Lien on all of the Collateral, (ii) be binding upon the Grantor, its successors and assigns, and (iii) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of, and be enforceable by, the Collateral Agent and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (iii), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under either of the Credit Agreements (including, without limitation, all or any portion of its Commitment, the Loans owing to it and any Promissory Note held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise, subject, however to the provisions of Sections 10.03 and 11.07 of the applicable Credit Agreement. Upon the earlier to occur of (A) the payment in full of all Obligations of the Borrower now or hereafter existing under the Credit Agreements, whether for principal, interest, fees, expenses or otherwise, and all other amounts payable under this Security Agreement, and the expiration or termination of the Commitments and (B) the release by the Lenders of their Lien on all of the Collateral, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to the Grantor. In addition, the Collateral Agent shall release any Collateral as permitted or required pursuant to Section 10.03 of the Credit Agreements. Upon any such termination, the Collateral Agent will, at the Grantor's expense, return to the Grantor such of the Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof and execute and deliver to the Grantor such documents as the Grantor shall reasonably request to evidence such termination.

8.11. WAIVER OF JURY TRIAL. THE GRANTOR AND THE COLLATERAL AGENT 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.

IN WITNESS WHEREOF, the Grantor and the Collateral Agent have executed this Security Agreement as of the date first above written.

CMS ENERGY CORPORATION

By: /s/ Alan M. Wright

-----  
Alan M. wright  
Executive Vice President,  
Chief Financial Officer and  
Chief Administrative Officer

AGREED AND ACKNOWLEDGED:

CITICORP USA, INC., as Collateral Agent

By: /s/ Dale R. Goncher

-----  
Dale R. Goncher  
Title: Director



EXHIBIT "B"  
(See Section 3.1 of Security Agreement)

OFFICES IN WHICH FINANCING STATEMENTS HAVE BEEN FILED

Secretary of State of Michigan

GUARANTY  
FOR  
CMS ENERGY CORPORATION

THIS GUARANTY, dated as of July 12, 2002, is made by CMS Enterprises Company, a Michigan corporation, CMS Gas Transmission Company, a Michigan corporation, and CMS Generation Co., a Michigan corporation (each individually a "GUARANTOR" and collectively, together with any additional Subsidiaries of the Borrower that become a party to this Guaranty by executing a supplement hereto in the form attached hereto as Annex I, the "GUARANTORS"), in favor of the Lenders (the "LENDERS") parties to the Credit Agreements (as defined below) and Citicorp USA, Inc. ("CUSA"), as Collateral Agent (the "COLLATERAL AGENT") for the Lenders.

PRELIMINARY STATEMENTS

(1) Barclays Bank PLC, as Administrative Agent, the Collateral Agent and the Lenders have entered into two Amended and Restated Credit Agreements, each dated as of July 12, 2002, one (the "SHORT TERM CREDIT AGREEMENT") maturing March 31, 2003 and the other (the "LONG TERM CREDIT AGREEMENT") maturing December 15, 2003 (the Short Term Credit Agreement and the Long Term Credit Agreement, as they may hereafter be amended or otherwise modified from time to time, being referred to herein collectively as the "CREDIT AGREEMENTS", the terms defined therein and not otherwise defined herein being used herein as therein defined), with CMS Energy Corporation, a corporation organized and existing under the laws of the State of Michigan (the "BORROWER"). The Guarantors will derive substantial direct and indirect benefit from the transactions contemplated by the Credit Agreements.

(2) It is a condition precedent to the effectiveness of the Credit Agreements that the Guarantors shall have executed and delivered this Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Extensions of Credit under the Credit Agreement, the Guarantors hereby agrees as follows:

SECTION 1. Guaranty. Each of the Guarantors hereby unconditionally guarantees, jointly with the other Guarantors and severally, the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of the Borrower now or hereafter existing under the Credit Agreements and the Promissory Notes, whether for principal, interest, fees,

expenses or otherwise (such obligations being the "OBLIGATIONS"), and agrees to pay any and all expenses (including reasonable fees and expenses of counsel) incurred by the Agents or the Lenders in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts which constitute part of the Obligations and would be owed by the Borrower to the Collateral Agent or the Lenders under the Credit Agreements and the Promissory Notes but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower.

SECTION 2. Guaranty Absolute. Each of the Guarantors guarantee, jointly with the other Guarantors and severally, that the Obligations will be paid strictly in accordance with the terms of the Credit Agreements and the Promissory Notes, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Collateral Agent or the Lenders with respect thereto against the Borrower. The obligations of the Guarantors under this Guaranty are independent of the Obligations, and a separate action or actions may be brought and prosecuted against any or all of the Guarantors to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or whether the Borrower is joined in any such action or actions. The liability of each of the Guarantors under this Guaranty shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of either or both of the Credit Agreements, the Promissory Notes, any other Loan Document, or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from either or both of the Credit Agreements, the Promissory Notes, or any other Loan Document, including, without limitation, any increase in the Obligations resulting from the extension of additional credit to the Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations;

(d) the existence of any claim, set-off, defense or other right which any of the Guarantors may have at any time against the Collateral Agent, any Lender or any other Person, whether in connection with this Guaranty, the transactions contemplated in any of the other Loan Documents, or any unrelated transaction;

(e) any manner of application of collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any collateral for all or any of the Obligations or any other assets of the Borrower or any of its Subsidiaries;

(f) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its Subsidiaries; or

(g) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Collateral Agent or any Lender upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

### SECTION 3. Rights of Contribution with Respect to Obligations.

(a) To the extent that any payment is made on the Obligations by or on behalf of any Guarantor or Grantor (each, an "Obligor") under or pursuant to this Guaranty or any Pledge Agreement (an "Obligor Payment") which, taking into account all other Obligor Payments then previously or concurrently made by any other Obligor, exceeds the amount which otherwise would have been paid by or attributable to such Obligor if each Obligor had paid the aggregate Obligations satisfied by such Obligor Payment in the same proportion as such Obligor's "Allocable Amount" (as defined below) (as determined immediately prior to such Obligor Payment) bore to the aggregate Allocable Amounts of each of the Obligors as determined immediately prior to the making of such Obligor Payment, then, following payment in full in cash of the Obligations and the termination or expiration of all Commitments, such Obligor shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Obligor for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Obligor Payment.

(b) As of any date of determination, the "Allocable Amount" of any Obligor shall be equal to the maximum amount of the claim which could then be recovered from such Obligor with respect to the Obligations without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(c) This Section 3 is intended only to define the relative rights of the

Obligors, and nothing set forth in this Section 3 is intended to or shall impair the obligations of the Obligors to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Guaranty or any Pledge Agreement.

(d) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Guarantors and the other Obligors to which such contribution and indemnification is owing.

(e) The rights of the indemnifying Obligors against other Obligors with respect to any payments on the Obligations shall be exercisable upon the full payment of the Obligations in cash and the termination or expiry of the Commitments.

SECTION 4. Waiver. Each of the Guarantors hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guaranty and any requirement that the Collateral Agent or any Lender protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against the Borrower or any other Person or any collateral.

SECTION 5. Subrogation; Subordination of Intercompany Indebtedness.

(a) Subrogation. Notwithstanding any payment or payments made by any Guarantor hereunder, or any setoff or application of funds of any Guarantor by the Collateral Agent or any Lender, each Guarantor hereby irrevocably waives any and all rights of subrogation to the rights of the Collateral Agent and the Lenders against the Borrower and any and all rights of reimbursement, assignment, indemnification or implied contract or any similar rights against the Borrower or against any endorser or other guarantor of all or any part of the Obligations until the Lenders' claims with respect to the Obligations have been paid in full and the Commitments terminated. If, notwithstanding the foregoing, any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Collateral Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Collateral Agent in the exact form received by such Guarantor (duly endorsed by such Guarantor to the Collateral Agent), to be applied against the Obligations, whether matured or unmatured, under the Short Term Credit Agreement and, after the Short Term Credit Agreement has been repaid in full, to the Obligations, whether matured or unmatured, under the Long Term Credit Agreement.

(b) Subordination of Intercompany Indebtedness. Each Guarantor agrees that any and all claims of any Guarantor against the Borrower or any other Obligor with respect to any "Intercompany Indebtedness" (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Obligations, or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations and the obligation of Enterprises under the Enterprises Credit Agreement. If all or any part of the assets of any Obligor, or the proceeds thereof, are subject to any distribution, division or application to the creditors of such Obligor, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any such Obligor is dissolved or if substantially all of the assets of any such Obligor are sold, then, and in any such event (such events being herein referred to as an "Insolvency Event"), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Obligor to any other Obligor ("Intercompany Indebtedness") shall be paid or delivered directly to the Collateral Agent for application to the obligations, whether matured or unmatured, of Enterprises under the Enterprises Credit Agreement, and, after the Enterprises Credit Agreement shall have been fully paid and satisfied in cash, to the Obligations, whether matured or unmatured, under the Short Term Credit Agreement, and, after the Short Term Credit Agreement has been repaid in full, to the Obligations, whether matured or unmatured, under the Long Term Credit Agreement. Should any payment, distribution, security or instrument or proceeds thereof be received by any Obligor upon or with respect to the Intercompany Indebtedness after any Insolvency Event and prior to the satisfaction of all of the Obligations and the termination or expiration of all Commitments of the Lenders, such Obligor shall receive and hold the same in trust, as trustee, for the benefit of the Lenders and shall forthwith deliver the same to the Collateral Agent, for the benefit of the Lenders, in precisely the form received (except for the endorsement or assignment of the Obligor where necessary), for application to the obligations, whether matured or unmatured, of Enterprises under the Enterprises Credit Agreement, and, after the Enterprises Credit Agreement shall have been fully paid and satisfied in cash, to the Obligations, whether matured or unmatured, under the Short Term Credit Agreement, and, after the Short Term Credit Agreement has been repaid in full, to the Obligations, whether matured or unmatured, under the Long Term Credit Agreement, and, until so delivered, the same shall be held in trust by such Obligor as the property of the Lenders.

SECTION 6. Representations and Warranties. Each Guarantor hereby represents and warrants as follows:

(a) Such Guarantor is a corporation duly organized, validly existing

and in good standing under the laws of the state of its incorporation 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 such Guarantor of this Guaranty (i) are within such Guarantor'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 Guarantor (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 Guarantor or of law, (C) violate any legal restriction binding on or affecting such Guarantor, (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 Guarantor 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).

(c) This Guaranty constitutes the legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms; subject to the qualification, however, that the enforcement of the rights and remedies herein 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).

(d) 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 such Guarantor of this Guaranty.

SECTION 7. Amendments, Etc. No amendment or waiver of any provision of this Guaranty, and no consent to any departure by any Guarantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Collateral Agent and, in the case of amendments, the Guarantors, 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, (a) limit the liability of any Guarantor hereunder, (b) postpone any date fixed for payment hereunder, or (c) change the number of Lenders required to take any action hereunder.

SECTION 8. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including facsimile

communication) and mailed, telecopied or delivered, if to the Guarantors, to CMS Enterprises Company at Fairlane Plaza South, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126, Attention: General Counsel, and if to the Collateral Agent or any Lender, at its address specified in the Credit Agreements, or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, telegraphed, telecopied, telexed or cabled, be effective five days after when deposited in the mails, or when telecopied or delivered.

SECTION 9. No Waiver; Remedies. No failure on the part of the Collateral Agent or any Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder 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. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default under either of the Credit Agreements and (ii) the making of the request or the granting of the consent specified by Section 9.02 of either of the Credit Agreements to authorize the Collateral Agent to declare the Promissory Notes due and payable pursuant to the provisions of said Section 9.02 under either of the Credit Agreements, 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 applicable Guarantor against any and all of the obligations of such Guarantor now or hereafter existing under this Guaranty, whether or not such Lender shall have made any demand under this Guaranty and although such obligations may be contingent and unmatured. Each Lender agrees to notify promptly such Guarantor 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 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

SECTION 11. Continuing Guaranty; Assignments under Credit Agreements. This Guaranty is a continuing guaranty and shall (i) remain in full force and effect until the later of (x) the payment in full of the Obligations and all other amounts payable under this Guaranty and (y) the expiration or termination of the Commitments, (ii) be binding upon the Guarantor, its successors and assigns, and (iii) inure to the benefit of, and be enforceable by, the Collateral Agent, the Lenders and their respective successors, transferees and assigns. Notwithstanding the foregoing, if all or substantially all of the assets of any

Guarantor or 100% of the stock of any Guarantor is sold in a transaction permitted under the Credit Agreements, such Guarantor shall automatically be released from its obligations under this Guaranty. Without limiting the generality of the foregoing clause (iii), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under either of the Credit Agreements (including, without limitation, all or any portion of its Commitment, the Loans owing to it and any Promissory Note held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise subject, however, to the provisions of Sections 10.04 and 11.07 of the applicable Credit Agreement.

SECTION 12. Waiver of Jury Trial. EACH OF THE GUARANTORS AND THE COLLATERAL AGENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT, OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

SECTION 13. Governing Law; Submission to Jurisdiction. THIS GUARANTY 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). EACH OF THE GUARANTORS AND THE COLLATERAL AGENT (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 GUARANTOR WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE COLLATERAL AGENT MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

IN WITNESS WHEREOF, each of the Guarantors has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

CMS ENTERPRISES COMPANY

By /s/ Alan M. Wright

-----  
Alan M. Wright  
Title: Executive Vice President  
Chief Financial Officer &  
Chief Administrative Officer

CMS GAS TRANSMISSION COMPANY

By /s/ Carol Isles

-----  
Carol Isles  
Title: Vice President and Controller

CMS GENERATION CO.

By /s/ Michael D. VanHemert

-----  
Michael D. VanHemert  
Title: Vice President and Secretary

ANNEX I  
to  
GUARANTY

Reference is hereby made to the Guaranty (the "Guaranty") made as of July \_\_\_, 2002 by and among CMS Enterprises Company, a Michigan corporation, CMS Gas Transmission Company, a Michigan corporation, and CMS Generation Co., a Michigan corporation (each a "Guarantor" and along with any additional Subsidiaries of the Borrower that become parties to the Guaranty, including the undersigned by the execution of this Annex I to Guaranty, the "Guarantors") in favor of the Collateral Agent for the ratable benefits of the Lenders under the Credit Agreements. Capitalized terms used herein and not defined herein shall have the meanings given to them in the Guaranty. By its execution below, the undersigned [Name of New Guarantor], a \_\_\_\_\_, agrees to become a Guarantor under the Guaranty and agrees to be bound by such Guaranty as if originally a party thereto. By its execution below, the undersigned represents and warrants as to itself that all of the representations and warranties contained in the Guaranty are true and correct as of the date hereof.

In witness whereof [Name of New Guarantor], a \_\_\_\_\_, has executed and delivered this ANNEX I counterpart to the Guaranty as of their \_\_\_\_\_, \_\_\_\_\_.

[Name of New Guarantor]

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

GUARANTY  
FOR  
CMS ENTERPRISES COMPANY

THIS GUARANTY, dated as of July 12, 2002, is made by CMS Energy Corporation, a Michigan corporation, CMS Gas Transmission Company, a Michigan corporation, and CMS Generation Co., a Michigan corporation (each individually a "GUARANTOR" and collectively, together with any additional Subsidiaries of the Borrower that become a party to this Guaranty by executing a supplement hereto in the form attached hereto as Annex I, the "GUARANTORS"), in favor of the Lenders (the "LENDERS") parties to the Credit Agreement (as defined below) and Citicorp USA, Inc. ("CUSA"), as Administrative Agent (the "ADMINISTRATIVE AGENT") and as Collateral Agent (the "COLLATERAL AGENT") for the Lenders.

PRELIMINARY STATEMENTS

(1) The Administrative Agent, the Collateral Agent and the Lenders have entered into a Credit Agreement, dated as of July 12, 2002, maturing December 13, 2002 (as it may hereafter be amended or otherwise modified from time to time, the "CREDIT AGREEMENT", the terms defined therein and not otherwise defined herein being used herein as therein defined), with CMS Enterprises Company, a corporation organized and existing under the laws of the State of Michigan (the "BORROWER"). The Guarantors will derive substantial direct and indirect benefit from the transactions contemplated by the Credit Agreement.

(2) It is a condition precedent to the effectiveness of the Credit Agreement that the Guarantors shall have executed and delivered this Guaranty.

NOW, THEREFORE, in consideration of the premises and in order to induce the Lenders to make Extensions of Credit under the Credit Agreement, the Guarantors hereby agrees as follows:

SECTION 1. Guaranty. Each of the Guarantors hereby unconditionally guarantees, jointly with the other Guarantors and severally, the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all obligations of the Borrower now or hereafter existing under the Credit Agreement and the Promissory Notes, whether for principal, interest, fees, expenses or otherwise (such obligations being the "OBLIGATIONS"), and agrees to pay any and all expenses (including reasonable fees and expenses of counsel) incurred by the

Agents or the Lenders in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts which constitute part of the Obligations and would be owed by the Borrower to the Collateral Agent or the Lenders under the Credit Agreement and the Promissory Notes but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower.

SECTION 2. Guaranty Absolute. Each of the Guarantors guarantee, jointly with the other Guarantors and severally, that the Obligations will be paid strictly in accordance with the terms of the Credit Agreement and the Promissory Notes, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Collateral Agent or the Lenders with respect thereto against the Borrower. The obligations of the Guarantors under this Guaranty are independent of the Obligations, and a separate action or actions may be brought and prosecuted against any or all of the Guarantors to enforce this Guaranty, irrespective of whether any action is brought against the Borrower or whether the Borrower is joined in any such action or actions. The liability of each of the Guarantors under this Guaranty shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of the Credit Agreement, the Promissory Notes, any other Loan Document, or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to departure from the Credit Agreement, the Promissory Notes, or any other Loan Document, including, without limitation, any increase in the Obligations resulting from the extension of additional credit to the Borrower or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any collateral, or any taking, release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Obligations;

(d) the existence of any claim, set-off, defense or other right which any of the Guarantors may have at any time against the Collateral Agent, any Lender or any other Person, whether in connection with this Guaranty, the transactions contemplated in any of the other Loan Documents, or any unrelated transaction;

(e) any manner of application of collateral, or proceeds thereof, to all or any of the Obligations, or any manner of sale or other disposition of any

collateral for all or any of the Obligations or any other assets of the Borrower or any of its Subsidiaries;

(f) any change, restructuring or termination of the corporate structure or existence of the Borrower or any of its Subsidiaries; or

(g) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Obligations is rescinded or must otherwise be returned by the Collateral Agent or any Lender upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

SECTION 3. Rights of Contribution with Respect to Obligations.

(a) To the extent that any payment is made on the Obligations by or on behalf of any Guarantor or Grantor (each, an "Obligor") under or pursuant to this Guaranty or the Pledge Agreement (an "Obligor Payment") which, taking into account all other Obligor Payments then previously or concurrently made by any other Obligor, exceeds the amount which otherwise would have been paid by or attributable to such Obligor if each Obligor had paid the aggregate Obligations satisfied by such Obligor Payment in the same proportion as such Obligor's "Allocable Amount" (as defined below) (as determined immediately prior to such Obligor Payment) bore to the aggregate Allocable Amounts of each of the Obligors as determined immediately prior to the making of such Obligor Payment, then, following payment in full in cash of the Obligations and the termination or expiration of all Commitments, such Obligor shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Obligor for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Obligor Payment.

(b) As of any date of determination, the "Allocable Amount" of any Obligor shall be equal to the maximum amount of the claim which could then be recovered from such Obligor with respect to the Obligations without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(c) This Section 3 is intended only to define the relative rights of the Obligors, and nothing set forth in this Section 3 is intended to or shall impair the obligations of the Obligors to pay any amounts as and when the same shall

become due and payable in accordance with the terms of this Guaranty or the Pledge Agreement.

(d) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Guarantors and the other Obligors to which such contribution and indemnification is owing.

(e) The rights of the indemnifying Obligors against other Obligors with respect to any payments on the Obligations shall be exercisable upon the full payment of the Obligations in cash and the termination or expiry of the Commitments.

SECTION 4. Waiver. Each of the Guarantors hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Obligations and this Guaranty and any requirement that the Collateral Agent or any Lender protect, secure, perfect or insure any security interest or lien or any property subject thereto or exhaust any right or take any action against the Borrower or any other Person or any collateral.

SECTION 5. Subrogation; Subordination of Intercompany Indebtedness.

(a) Subrogation. Notwithstanding any payment or payments made by any Guarantor hereunder, or any setoff or application of funds of any Guarantor by the Collateral Agent or any Lender, each Guarantor hereby irrevocably waives any and all rights of subrogation to the rights of the Collateral Agent and the Lenders against the Borrower and any and all rights of reimbursement, assignment, indemnification or implied contract or any similar rights against the Borrower or against any endorser or other guarantor of all or any part of the Obligations until the Lenders' claims with respect to the Obligations have been paid in full and the Commitments terminated. If, notwithstanding the foregoing, any amount shall be paid to any Guarantor on account of such subrogation rights at any time when all of the Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Collateral Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Collateral Agent in the exact form received by such Guarantor (duly endorsed by such Guarantor to the Collateral Agent), to be applied against the Obligations, whether matured or unmatured, under the Credit Agreement.

(b) Subordination of Intercompany Indebtedness. Each Guarantor agrees that any and all claims of any Guarantor against the Borrower or any other Obligor with respect to any "Intercompany Indebtedness" (as hereinafter defined), any endorser, obligor or any other guarantor of all or any part of the Obligations,

or against any of its properties shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations of the Borrower under the Credit Agreement. If all or any part of the assets of any Obligor, or the proceeds thereof, are subject to any distribution, division or application to the creditors of such Obligor, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any such Obligor is dissolved or if substantially all of the assets of any such Obligor are sold, then, and in any such event (such events being herein referred to as an "Insolvency Event"), any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any indebtedness of any Obligor to any other Obligor ("Intercompany Indebtedness") shall be paid or delivered directly to the Collateral Agent for application to the Obligations of the Borrower under the Credit Agreement, whether matured or unmatured. Should any payment, distribution, security or instrument or proceeds thereof be received by any Obligor upon or with respect to the Intercompany Indebtedness after any Insolvency Event and prior to the satisfaction of all of the Obligations and the termination or expiration of all Commitments of the Lenders, such Obligor shall receive and hold the same in trust, as trustee, for the benefit of the Lenders and shall forthwith deliver the same to the Collateral Agent, for the benefit of the Lenders, in precisely the form received (except for the endorsement or assignment of the Obligor where necessary), for application to the Obligations of the Borrower under the Credit Agreement, and, until so delivered, the same shall be held in trust by such Obligor as the property of the Lenders.

SECTION 6. Representations and Warranties. Each Guarantor hereby represents and warrants as follows:

(a) Such Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation 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 such Guarantor of this Guaranty (i) are within such Guarantor'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 Guarantor (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 Guarantor or of law, (C) violate any legal restriction binding on or affecting such Guarantor, (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 Guarantor 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).

(c) This Guaranty constitutes the legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms; subject to the qualification, however, that the enforcement of the rights and remedies herein 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).

(d) 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 such Guarantor of this Guaranty.

SECTION 7. Amendments, Etc. No amendment or waiver of any provision of this Guaranty, and no consent to any departure by any Guarantor herefrom, shall in any event be effective unless the same shall be in writing and signed by the Collateral Agent and, in the case of amendments, the Guarantors, 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, (a) limit the liability of any Guarantor hereunder, (b) postpone any date fixed for payment hereunder, or (c) change the number of Lenders required to take any action hereunder.

SECTION 8. Addresses for Notices. All notices and other communications provided for hereunder shall be in writing (including facsimile communication) and mailed, telecopied or delivered, if to the Guarantors, c/o CMS Energy Corporation at Fairlane Plaza South, 330 Town Center Drive, Suite 1100, Dearborn, Michigan 48126, Attention: General Counsel, and if to the Collateral Agent or any Lender, at its address specified in the Credit Agreement, or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. All such notices and other communications shall, when mailed, telegraphed, telecopied, telexed or cabled, be effective five days after when deposited in the mails, or when telecopied or delivered.

SECTION 9. No Waiver; Remedies. No failure on the part of the Collateral Agent or any Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder 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. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default under the Credit Agreement and (ii) the making of the request or the granting of the consent specified by Section 9.02 of the Credit Agreement to authorize the Collateral Agent to declare the Promissory Notes due and payable pursuant to the provisions of said Section 9.02 under the Credit Agreement, 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 applicable Guarantor against any and all of the obligations of such Guarantor now or hereafter existing under this Guaranty, whether or not such Lender shall have made any demand under this Guaranty and although such obligations may be contingent and unmatured. Each Lender agrees to notify promptly such Guarantor 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 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Lender may have.

SECTION 11. Continuing Guaranty; Assignments under Credit Agreement. This Guaranty is a continuing guaranty and shall (i) remain in full force and effect until the later of (x) the payment in full of the Obligations and all other amounts payable under this Guaranty and (y) the expiration or termination of the Commitments, (ii) be binding upon the Guarantor, its successors and assigns, and (iii) inure to the benefit of, and be enforceable by, the Collateral Agent, the Lenders and their respective successors, transferees and assigns. Notwithstanding the foregoing, if all or substantially all of the assets of any Guarantor or 100% of the stock of any Guarantor is sold in a transaction permitted under the Credit Agreement, such Guarantor shall automatically be released from its obligations under this Guaranty. Without limiting the generality of the foregoing clause (iii), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitment, the Loans owing to it and any Promissory Note held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender herein or otherwise subject, however, to the provisions of Sections 10.04 and 11.07 of the Credit Agreement.

SECTION 12. Waiver of Jury Trial. EACH OF THE GUARANTORS AND THE COLLATERAL AGENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR

RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT, OR ANY OTHER INSTRUMENT OR DOCUMENT DELIVERED HEREUNDER OR THEREUNDER.

SECTION 13. Governing Law; Submission to Jurisdiction. THIS GUARANTY 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). EACH OF THE GUARANTORS AND THE COLLATERAL AGENT (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 GUARANTOR WAIVES ANY OBJECTION THAT IT MAY HAVE TO THE LOCATION OF THE COURT IN WHICH THE COLLATERAL AGENT MAY COMMENCE A PROCEEDING DESCRIBED IN THIS SECTION.

IN WITNESS WHEREOF, each of the Guarantors has caused this Guaranty to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

CMS ENERGY CORPORATION

By /s/ Alan M. Wright

-----  
Alan M. Wright  
Title: Executive Vice President  
Chief Financial Officer &  
Chief Administrative Officer

CMS GAS TRANSMISSION COMPANY

By /s/ Carol Isles

-----  
Carol Isles  
Title: Vice President and Controller

CMS GENERATION CO.

By

-----  
Title:

ANNEX I  
to  
GUARANTY

Reference is hereby made to the Guaranty (the "Guaranty") made as of July \_\_, 2002 by and among CMS Energy Corporation, a Michigan corporation, CMS Gas Transmission Company, a Michigan corporation, and CMS Generation Co., a Michigan corporation (each a "Guarantor" and along with any additional Subsidiaries of the Borrower that become parties to the Guaranty, including the undersigned by the execution of this Annex I to Guaranty, the "Guarantors") in favor of the Collateral Agent for the ratable benefits of the Lenders under the Credit Agreement. Capitalized terms used herein and not defined herein shall have the meanings given to them in the Guaranty. By its execution below, the undersigned [Name of New Guarantor], a \_\_\_\_\_, agrees to become a Guarantor under the Guaranty and agrees to be bound by such Guaranty as if originally a party thereto. By its execution below, the undersigned represents and warrants as to itself that all of the representations and warranties contained in the Guaranty are true and correct as of the date hereof.

In witness whereof [Name of New Guarantor], a \_\_\_\_\_, has executed and delivered this ANNEX I counterpart to the Guaranty as of their \_\_\_\_\_, \_\_\_\_\_.

[Name of New Guarantor]

By

-----  
Title:

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MICHIGAN

ROGER D. SCHILLING,  
on behalf of himself and all others similarly situated,

Plaintiff,

Case Number: 02-72834

- -vs-

Honorable George E. Woods

CMS ENERGY CORPORATION,  
CONSUMERS ENERGY CORPORATION,  
CMS MARKETING SERVICES & TRADING,  
AND JOHN DOES 1-20,

COMPLAINT  
CLASS ACTION  
MAGISTRATE JUDGE PEPE

Defendants.

-----/

BARRY D. ADLER (P30557)  
ADLER & ASSOCIATES  
Attorneys for Plaintiff Roger D. Schilling  
30300 Northwestern Highway, Suite 304  
Farmington Hills, Michigan 48334  
(248) 855-5090  
(248) 932-4009 (fax)

J. Brian McTigue (DC Bar No. 475904)  
Bruce F. Rinaldi (DC Bar No. 455187)  
McTIGUE LAW FIRM  
Attorneys for Plaintiff Roger D. Schilling  
3513 Connecticut Avenue, Suite 220  
Washington, DC 20015  
(202) 364-6900  
(202) 364-9960 (fax)

Ellen M. Doyle (PA Bar No. 21854)  
MALAKOFF DOYLE & FINBERG, P.C.  
437 Grant Street, Suite 200  
Pittsburgh, PA 15219  
(412) 281-8400  
(412) 281-3262 (fax)

-----/

CLASS ACTION COMPLAINT

Plaintiff Roger D. Schilling alleges the following on information and belief:

NATURE OF THE ACTION

1. This is a class action brought on behalf of the Employees' Savings & Incentive Plan of Consumers Energy Company (the "Consumers Energy Plan or "Plan") and all other subsidiaries which had adopted the Plan the participants and beneficiaries of the Consumers Energy Plan, for whose accounts common stock of Plan's sponsor was contributed or acquired during the period August 2, 2000 through May 10, 2002 ("Class Period"), to recover retirement account losses resulting from breaches of fiduciary obligations by the fiduciaries of the Consumers Energy Plan. During the Class Period the Plan sponsors were CMS Energy Corporation ("CMS Energy") and Consumers Energy Corporation ("Consumers") (hereinafter, collectively "Consumers Energy" or the "Company").

2. Beginning in 2000 and continuing until 2002, CMS Marketing Services & Trading ("CMS MST"), a subsidiary of Consumers engaged in billions of dollars in "round trip" electricity trades involving simultaneous purchases and sales with the same counter parties at the same price. These transactions, which lacked any economic substance, had the effect of materially overstating Consumer Energy's consolidated revenues and resulted in the misstatement of the true financial condition of Consumers Energy. As a result of this misstatement of the Company's financial condition the price of Consumers Energy common stock was artificially inflated. The undisclosed financial information regarding the revenues of Consumers Energy, which was material, was concealed from the participants of the Consumers Energy Plan by Consumers Energy and other fiduciaries of the Plan who had knowledge of the overstated revenues.

3. For the period from August 3, 2000, and continuing until May 10, 2002, fiduciaries of the Consumers Energy Plan offered Fund "C" and Fund "D" (collectively the "Company Stock Funds"), which were invested primarily in stock of CMS Energy ("Company Stock"), as an investment to participants of the Consumers Energy Plan. Plaintiff alleges on information and belief that between August 3, 2000 and

May 10, 2002, the Consumers Energy Plan invested tens of millions of dollars of contributions made by or on behalf of the participants of the Plan in the Company Stock Funds. Because the Company Stock contributed or acquired by Plan was artificially inflated in price, Consumers Energy and other fiduciaries of the Plan caused the Plan to acquire Company Stock at more than fair market value.

4. In May 2002, Consumers Energy announced that would restate its financial statements for 2000 and 2001 and not recording in those years previously recorded revenues generated by "round trip" electricity trades which lacked economic substance. The announced restatements would eliminate \$1 billion in revenues in 2000 and an additional \$3.4 billion in 2001 and caused the value of the Company Stock held by the Consumers Energy Plan to decline substantially in value.

5. Plaintiff's claims arise from the failure of Consumers Energy and other fiduciaries of the Plan to act solely in the interest of the participants and beneficiaries of the Plan and from the fiduciaries' failure to exercise the required care, skill, prudence and diligence in administering the Plan and investing the assets of the Plan. Among other allegations, Plaintiff alleges, inter alia, that Consumers Energy and other fiduciaries of the Consumers Energy Plan, including CMS MST, that knew or should have known the books and records and financial statements of Consumers Energy materially misstated the revenues of Consumers Energy in 2000 and 2001 and inflated the price of Company Stock, violated their fiduciary obligations to the Plan by: (1) failing to provide to Plan participants and concealing material information sufficient to advise the participants of the risks associated with investing in the Company Stock Funds; (2) failing to conduct adequate fiduciary reviews to determine whether Company Stock was a prudent investment for the Plan; (3) failing to properly monitor the Plan and thereby causing the Consumers Energy Plan to continue to offer the Company Stock Funds as investment options for new Plan investments; (4) continuing to contribute and causing the Plan to acquire shares of Company Stock for participants' accounts when such investments were imprudent and harmful to the participants of the Plan; and (5) otherwise contributing or causing the imprudent acquisition of Company Stock for the Plan and its participants at inflated per share prices that were greater than the fair market value of the shares.

JURISDICTION AND VENUE

6. This action is brought under the Employee Retirement Income Security Act ("ERISA"), 29 U.S.C. Sections 1001, et seq., as amended, which provides for exclusive federal jurisdiction over these claims. The Consumers Energy Plan is an "employee benefit plan" within the meaning of Section 3(3) of ERISA, 29 U.S.C. Section 1002(3) and the Plaintiff are "participants" within the meaning of Section 3(7) of ERISA, 29 U.S.C. Section 1002(7), who are empowered under Section 502 of ERISA, 29 U.S.C. Section 1132 to bring the present action on behalf of the participants and beneficiaries of the Consumers Energy Plan to obtain relief under Sections 502 and 409 of ERISA, 29 U.S.C. Sections 1132 and 1109.

7. This Court has subject matter jurisdiction over this action pursuant to Section 502(e)(1) of ERISA, 29 U.S.C. Sections 1132(e)(1).

8. The Plaintiff Roger D. Schilling resides in Livonia, Michigan and venue is proper in the United States District Court for the Eastern District of Michigan pursuant to Section 502(e)(2) of ERISA, 29 U.S.C. Section 1132(e)(2), because Defendant Consumers Energy plan is administered in the Eastern District of Michigan.

PARTIES

9. PLAINTIFF ROGER D. SCHILLING. Plaintiff Roger D. Schilling, 47, is a current employee of Consumers and participant in the Plan. Plaintiff Schilling has worked for Consumers for 15 years, beginning as a residential meter reader, then working in gas distribution, still later as a trenching machine and clam bucket operator, and yet later as a linesman and crew leader. He is currently a stoker, identifying buried lines for construction crews, His plan account was and is invested the Company Stock Funds. Plaintiff is authorized pursuant to Sections 502(a)(2) and (3) of ERISA, 29 U.S.C. Section 1132(a)(2) and (3) to obtain appropriate relief under Section 409 of ERISA, 29 U.S.C. Section 1109 and to obtain other appropriate equitable relief.

10. DEFENDANT CMS ENERGY CORPORATION ("CMS ENERGY"). CMS Energy was formed in Michigan in 1987 as an integrated energy company operating throughout the United States and in selected growth markets around the world. CMS Energy supplemented these operations with an active marketing, services and trading capability. CMS Energy's two principal subsidiaries are Consumers Energy Corporation and CMS Enterprises Company. The Consumers Energy Corporation subsidiary is a public utility that provides natural gas and/or electricity to almost 6 million of the 10 million residents in the 68 Michigan lower peninsula counties. The CMS Enterprises Company, a subsidiary of CMS Energy, through its own subsidiaries, including Defendant CMS Marketing, Services & Trading Company, is engaged in several energy businesses in the United States and in selected international growth markets.

11. DEFENDANT CONSUMERS ENERGY CORPORATION ("CONSUMERS"). Consumers was formed in Michigan in 1968. In 1997, Consumers, formerly named Consumers Power Company, changed its name to Consumers Energy Company to reflect its integrated electricity and gas businesses. Consumers' service areas include automotive, metal, chemical, food and wood products and a diversified group of other industries. Consumers' consolidated operations account for a majority of CMS Energy's total assets and income, as well as a substantial portion of its operating revenue.

12. DEFENDANT CMS MARKETING SERVICES & TRADING ("CMS MST"). CMS MST is a Michigan corporation and, through CMS Enterprises Company, an indirect subsidiary of CMS Energy Corporation. As of 2001, CMS MST provided gas, oil, and electric marketing, risk management and energy management services to industrial, commercial, utility and municipal energy users throughout the United States and abroad.

13. DEFENDANT EMPLOYEES' SAVINGS & INCENTIVE PLAN OF CONSUMERS ENERGY COMPANY. The Employees' Savings & Incentive Plan of Consumers Energy Company is a pension plan under ERISA maintained for the employees of Consumers Energy and its subsidiaries. The Consumers Energy Plan is named as a nominal defendant in order to facilitate the requested relief, which would flow to the Consumers

Energy Plan to be allocated to the accounts of participants of the Consumers Energy Plan who invested in Company Stock during the Class Period,

14. Defendants DOES 1-20 are fiduciaries of the Consumers Energy Plan, whose exact identities will be ascertained through discovery.

#### FACTUAL BACKGROUND

##### A. THE CONSUMERS ENERGY PLAN

15. The Consumers Energy Plan was, at all relevant times, a "pension plan" within the meaning of Section 3(2) of ERISA, 29 U.S.C. Section 1002(2) which was first effective November 1, 1961.

16. The Plan Document stated that the Consumers Energy Plan is qualified under Section 401(k) of the Internal Revenue Code. Under the terms of the Plan an employee of Consumers, CMS Energy and their participating subsidiaries may contribute from 1% to 16% of his or her regular compensation to the Plan ("participant contribution"). In addition under the Plan the employer was obligated to match at least one-half of the amount contributed by the employee up to 3% of a participant's salary ("matching employer contribution").

17. Under the terms of the Plan the contributions to the Plan by and on behalf of the participants are held in trust by the Trustee of the Plan, State Street Bank and Trust Company ("State Street") and invested by the Trustee in seven investment options, Funds A through G, as directed by the participating employers, including the Defendants.

18. At all times relevant to the complaint, the Consumers Energy Plan offered Fund C as investment options under the Consumers Energy Plan. Under the Plan Document Fund C consisted of the moneys and securities which the Employers shall direct the Trustee to place in such fund, common Stock of CMS Energy Corporation, and other securities of CMS Energy Corporation convertible into common stock of CMS Energy Corporation."

19. All matching employer contributions are allocated to the Fund C and "such contributions may, but need not be, in the form of authorized but unmissed common stock of CMS Energy Corporation or other securities convertible into such common stock, treasury securities, or securities of CMS Energy Corporation acquired by the Employers for purposes of such contributions."

20. At all times relevant to the complaint, the Consumers Energy Plan offered Fund C as an investment options under the Consumers Energy Plan. Under the Plan Document Fund G consisted of the "moneys and securities, which the Employers shall direct the Trustee to place in such fund, Class G common Stock of CMS Energy Corporation, and other securities of CMS Energy Corporation convertible into Class G common stock of CMS Energy Corporation."

21. On March 31, 2001, the Plan held 9,093,615 shares of CMS Energy common stock with a per share value of \$32.00 and a total market value of \$289,080,066. In the one-year period between March 31, 2001 and March 31, 2002, the company contributed and/or the Plan acquired no less than 413,742 additional shares of CMS common stock. On March 31, 2002, the Plan held 9,507,357 shares of CMS common stock with a per share value of \$23.00 and a total market value of \$215,151,498.

#### B. THE FIDUCIARIES OF THE PLAN

22. Each of the Defendants (other than the Plan) was a fiduciary with respect to the Plan. The Plan Document, which governs the Plan, as amended January 1, 1998, identifies the "Named Fiduciaries of the Plan", within the meaning of Section 402(a)(2) of ERISA, 29 U.S.C. Section 1102(a)(2), "who have the authority to control and manage the operation and administration of the Plan" as the "Employers," which includes Defendants CMS Energy and Consumers and any subsidiaries of CMS Energy, "which are at least 80% directly or indirectly owned, if the Board of Directors of such corporation determines to adopt provisions of the Plan."

23. As fiduciaries of the Plan, any employer whose employees were covered by the Plan, such as CMS Energy and Consumers were all parties in interest with respect to the Plan within the meaning of Section 3(14)(A) and (C), 29 U.S.C. Sections 1002(14)(A) and (C).

24. Each of the Defendants owed fiduciary obligations to the Plan and its participants and on information and belief exercised discretionary authority or control respecting the management of the Plan or exercised authority or control respecting the management and disposition of its assets of the Plan and therefore were fiduciaries of the Plan within the meaning of Section 3(21)(A) of ERISA, 29 U.S.C. Section 1002(21)(A).

25. Each of the Defendants, pursuant to sections 404(a)(1)(A) and (B) of ERISA, 29 U.S.C. Sections 1104(a)(1)(A) and (B), had a fiduciary obligation to act solely in the interest of the participants and their beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of in enterprise of a like character and with like aims.

26. Each of the Defendants had an obligation to provide the participants and beneficiaries of the Plan with sufficient information to make informed decisions with regard to investment alternatives available under the Plan, including the Company Stock Funds, and not to conceal from the participants of the Plan material facts known to the Defendants regarding investment options available under the Plan, including the Company Stock Fund.

27. Each of the Defendants were obligated to monitor the Consumers Energy Plan, and to, among other duties, review at reasonable intervals the performance of the Plan fiduciaries to assure that their performance was in compliance with the terms of the plan and statutory standards, and satisfied the needs of the Consumers Energy Plan.

28. Each of the Defendants were obligated not to cause the Plan to engage in a transaction that Defendants knew or should have known constituted a direct or indirect acquisition, on behalf of the Plan, of

CMS Energy common stock in violation of Sections 406(a)(1)(E) and 407(a) of ERISA, 29 U.S.C. Sections 1106(a)(1)(E) and 1107(a).

C. CONSUMERS ENERGY INFLATED ITS REVENUES BY \$4.4 BILLION IN 2001 AND 2000.

29. Beginning in the first half of 2000, CMS Energy through its subsidiary CMS MST began to become more actively engaged in the business of wholesale electricity trading. CMS Energy intended to expand its marketing, services and trading business to improve the performance and return on CMS Energy's other business assets. In November 1999, Ms. Tamely Pallas, who had previously served as Senior Vice President of Reliant Energy, was appointed to serve as President and Chief Executive Officer of CMS MST.

30. After embarking on this new strategy of expanding its wholesale electricity trading, CMS Energy began recording significant increases in the volume of power trades engaged in by CMS MST and corresponding increases in revenues. On March 23, 2001, CMS filed its Annual Report on Form 10-K for the year ended December 31, 2000. CMS MST reported revenues from its energy marketing and trading business of \$33 billion for the year ended December 31, 2000. In addition, the Form 10-K disclosed that the volume of power traded by CMS MST had increased 919 percent.

31. The expansion in CMS MST power trading activities continued in 2001 and its recorded revenues from such activities continued to grow. In a press release on April 30, 2001, Consumers Energy announced its financial results for the first quarter of 2001. Among other things, press release reported that the Company's first quarter operating revenue for the quarter "totaled \$4.13 billion, up 126 percent from \$1.83 billion in the first quarter of 2000, due largely to significantly increased lower-margin energy marketing and trading transactions..."

32. Eleven days later, on May 11, 2001, Consumers Energy's filed a Form 10-Q with the SEC, for its first quarter ended March 31, 2000, detailing the results announced by Consumers Energy in its April 30, 2001 press release. Consumers Energy reported revenues of \$2.344 billion from its energy marketing and trading business. The Form 10-Q also disclosed the following regarding Consumers Energy's subsidiary, CMS MST:

Pretax Operating Income: For the three months ended March 31, 2001, pretax operating income increased \$4 million (133 percent) from the comparable period in 2000. The increase reflects additional earnings from wholesale gas trading and increased LNG sales. The physical volumes of marketed and managed natural gas and power traded increased 17 percent and 1,383 percent respectively, due largely to significantly increased lower-margin energy marketing and trading transactions. [Emphasis added.]

33. On August 1, 2001 Consumers Energy issued a press release announcing its second quarter financial results. The Company stated that its operating revenue for the second quarter "totaled \$4.4 billion, up 175 percent from \$1.6 billion in the second quarter of 2000, due largely to significantly increased lower-margin energy marketing and trading transactions." In a Form 10-Q filed with the SEC on August 14, 2001, Consumers Energy reported that, of the \$4.4 billion in revenues reported for the second quarter, \$3.089 billion in revenues were from its energy marketing and trading business.

34. On October 26, 2001, Consumers Energy issued a press release announcing its financial results for the third quarter of 2001 in which the company reported that "Third quarter operating revenue totaled \$3.0 billion, up 29 percent from \$2.32 billion in the third quarter of 2000, due largely to increased lower margin energy marketing and trading transactions." The press release also announced that total operating revenues in the first nine months of 2001 totaled \$11.47 billion compared to \$5.62 billion in the first nine months of 2000.

35. On May 10, 2002, Consumers Energy issued a press release in which the Company reported that the SEC was conducting an informal investigation into the Company's energy trading practices. The release stated:

CMS Energy Corporation announced today that the U.S. Securities and Exchange Commission (SEC) staff has asked it to provide information in connection with an informal inquiry into simultaneous purchases and sales of electricity with the same counter parties at the same price. These transactions, which involved no profit or loss, were the subject of recent press reports.

36. Shortly after the announcement of the informal SEC investigation, on May 13, 2002, Reliant Resources ("Reliant") (a subsidiary of Reliant Energy, the company at which Ms. Tamela Pallas had served

as Senior Vice President before becoming the CEO and President of CMS MST in November 1999) disclosed that it had been engaging in "round-trip" trades with CMS MST.

37. Two days later, on May 15, 2002, Consumers Energy issued a press release announcing that CMS-MST during 2001 and 2002 had engaged in "round-trip" trades with Reliant and a second company, Dynergy Power Marketing. The press release stated as follows:

CMS Energy Corporation today reported the preliminary results of an internal review indicating its energy marketing unit, CMS Marketing, Services and Trading (CMS-MST), entered into "round trip" electricity trades involving simultaneous purchases and sales with the same counter-parties at the same price from May 2000 through mid-January 2002. Thirteen of the trades accounted for about 98 percent of the volume. All such CMS trades were with either Dynergy Power Marketing, Inc. or Reliant Energy Services, Inc. These simultaneous transactions, in which electricity was sold and re-purchased without profit, loss or cash flow impact to CMS Energy, had the effect of increasing trading volumes. After internally concluding that the cessation of such trades was in the Company's best interests, CMS stopped such trades in January 2002.

\*\*\*\*

CMS Energy decided after the third quarter of 2001 that not recording these trades in either revenue or expense was a more appropriate representation of the nature of these transactions. Therefore, no revenue or expense was recorded in its financial statements in the fourth quarter of 2001 from such trades. Revenue and Expense was re-stated for the first three quarters of 2001 to eliminate \$3.4 billion of previously reported revenue and expense. The Company's Annual Report on Form 10-K for 2001, issued in March, reflects only \$5 million revenue and expense from such trades, which was inadvertently included. For 2000, these trades represented \$1.0 billion of revenue and expense. The trades had no effect on the Company's earnings, cash flow or balance sheet for 2001 or 2000.

38. On the following day, May 16, 2002, Consumers Energy issued another press release announcing that Ms. Tamela Pallas had resigned as President and CEO of CMS MST.

The press release stated as follows.

CMS Energy Corporation today announced the resignation of Tamela W. Pallas from her position as president and chief executive officer of its energy-marketing unit, CMS Marketing, Services and Trading Co., (CMS-MST). Ms. Pallas, who headed CMS-MST from November 1999 to the present, was responsible for the organization during the period in which the recently publicized "round trip" electricity trading activity occurred.

In submitting her resignation, Ms. Pallas expressed regret over the controversy that has resulted from this trading activity, and her belief that it was in the best interest of CMS Energy for her to step down.

William T. McCormick, Jr., chairman and chief executive officer of CMS Energy, said, "These round trip trades are not consistent with the Company's values and high standards of integrity. The Company is committed to ensuring that such practices are never repeated."

39. On May 24, 2002, the Board of Directors of CMS Energy announced the resignation of William T. McCormick as the Chairman and CEO of the Company. That same day the Company issued a press release announcing the creation of a special committee to investigate the round trip trades. The Press release stated as follows:

CMS Energy Corporation (NYSE: CMS) today announced its Board of Directors will establish a special committee of independent directors to investigate matters surrounding round trip trades conducted by the Company's energy marketing unit, CMS Marketing, Services and Trading (CMS-MST). The special committee will retain outside counsel to assist in the investigation. The specific membership of the committee is to be established within the next ten days.

40. The May 24, 2002 press release further stated:

CMS Energy announced it plans to amend as soon as practical its 2001 Form 10-K and restate its financial statements for 2000 and 2001 to eliminate from revenue and expense all, of the effects of round trip trades. None of the restatements will affect earnings or cash flows for either period. CMS Energy expects the restatement to simultaneously eliminate approximately \$1 Billion of revenue and expense from round trip trades in 2000. The Company previously reclassified 2001 financial statements to eliminate \$4.2 billion of revenue and expense, which included \$3.3 billion of previously reported revenue and expense from round trip power trades. The other \$900 million of revenue and expense, which was reclassified, resulted from an incomplete round trip gas trade. The restatement will also adjust the year end 2001 balance sheet for offsetting receivable and payable amounts of \$122 million related to round trip trades, and will restate 2001 revenue and expense of \$5 million inadvertently missed in the 2001 restatement.

41. As a result of Consumers Energy's improper round-trip trades, Consumers Energy inflated the revenues and expenses of the Company by a total of over \$4.4 billion. The inclusion in the financial statements of Consumers Energy of over \$4.4 billion in revenues from round-trip trades which had no economic substance, violated GAAP and rendered the financial statements of Consumers Energy materially false.

42. As a result of Consumers Energy's and the artificial inflation of the Company's revenues round-tip trades the market price of Company Stock was artificially inflated beginning in August 3, 2000

and continuing until May 10, 2002 Throughout this period, the price of CMS Energy Stock prevailing on the exchanges did not represent the fair market value of Company Stock.

D. THE FIDUCIARIES OF THE CONSUMERS ENERGY PLAN IN VIOLATION OF THEIR FIDUCIARY OBLIGATIONS CAUSED AND/OR PERMITTED THE CONSUMERS ENERGY PLAN TO ACCEPT CONTRIBUTIONS OF AND/OR MAKE NEW INVESTMENTS IN COMPANY STOCK FOR PARTICIPANTS ACCOUNTS WHEN THEY KNEW OR SHOULD HAVE KNOWN THAT CONSUMERS ENERGY'S ACCOUNTING BOOKS AND RECORDS FAILED TO ACCURATELY REPORT THE COMPANY'S REVENUES, THAT THE PRICES AT WHICH THE CONSUMERS ENERGY PLAN WAS ACCEPTING AND/OR ACQUIRING COMPANY STOCK WERE GREATER THAN FAIR MARKET VALUE, AND THAT NEW INVESTMENTS IN COMPANY STOCK WERE NOT PRUDENT.

43. From August 2, 2000 through May 10, 2002, each of the Defendants knew or should have known, that Consumers Energy's financial statements failed to record the Company's true revenues, that Company Stock prices were inflated in value, and the Company Stock Funds were not a prudent investment option for the participants of the Consumer Energy Plan. Despite their obligations as fiduciaries of the Consumers Energy Plan, Defendants CMS Energy, Consumers and CMS MST failed to provide to Plan participants material information sufficient to advise the participants of the risks associated with investing in the Company Stock Funds, failed to conduct an adequate fiduciary review to determine whether Company Stock Funds were a prudent investment for the Plan, concealed from the Consumer Energy Plan and its participants the fact that CMS Energy stock prices were inflated in value because of the overstatement of revenues, and caused the Plan to continue to offer the Company Stock Funds as investment options for Plan investments during a period of time when shares of CMS Energy were no longer a prudent investment.

44. As a result of the failure of Defendants CMS Energy, Consumers and CMS MST to provide material information sufficient to advise the participants of the risks associated with investing in the Company Stock Funds, the failure to conduct a fiduciary review, and the concealment from the participants of the Consumers Energy Plan the overstatement of revenues resulting from the "round-trip" trades and that the prices of CMS Energy stock prevailing on the national exchanges did not represent the fair market value of shares, the Consumers Energy Plan continued to accept contributions of and/or acquire shares of CMS

Energy stock for Plan accounts from August 3, 2000, through May 10, 2002 at inflated per share prices that were greater than fair market value and represented more than adequate consideration for such shares.

45. During the years 2000 and 2001 the employers directed at least \$50 million in moneys and securities into the Fund C as matching employer contributions. In addition, in 2000 and 2001, the Trustee was also directed to invest an unknown portion of participant's contributions (which in 2000 alone exceeded \$50 million) into the Fund C and the Fund G. Because common shares of CMS Energy were substantially inflated in value at the time these contributions were made, the participants of the plan suffered substantial losses as a result of obtaining common shares of CMS Energy at prices, which exceeded the fair market value for such shares.

46. As a result of the failure of Defendants CMS Energy, Consumers and CMS MST to provide material information sufficient to advise the participants of the Plan of the risks associated with investing in the CMS Energy common stock through Fund C and Fund G and the concealment from the participants of the Plan of material facts regarding the investment in CMS Energy common stock and Fund C and Fund G, the participants of the Plan were unable to exercise independent control over their investment decision with respect to CMS Energy common stock and suffered further loss by being deprived of the opportunity to invest in alternative prudent investments available to them under the Plan.

COUNT I

CLAIM FOR RELIEF UNDER ERISA SECTION 404 AGAINST THE  
DEFENDANTS CMS ENERGY, CONSUMERS AND CMS MST

47. Plaintiff incorporates by reference all allegations of this Complaint as set forth in Paragraph 1 through Paragraph 46, above.

48. Defendants CMS Energy, Consumers and CMS MST, as the Named Fiduciaries of the Consumers Energy Plan failed to discharge their duties with respect to the Consumers Energy Plan solely in the interest of the participants and their beneficiaries and for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the Plan and with

the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, in violation of sections 404(a)(1)(A) and (B) of ERISA, 29 U.S.C. Sections 1104(a)(1)(A) and (B), by, among other things:

- a. Failing to provide adequate information to participants and beneficiaries of the Plan with respect to the Company Stock Funds and the true risk of such an investment options in light of the facts known by Defendants regarding the "round-trip" trades and the inflated revenues of the Company;
- b. Concealing from participants and beneficiaries of the Consumers Energy Plan material facts regarding the "round-trip" trades and the inflated revenues of the Company which prevented participants of the Plan from exercising independent control over investments in the Company Stock Funds;
- c. Failing to conduct an adequate fiduciary review to determine whether the Company Stock Funds were a prudent investment when they knew or should have known that shares of Company Stock were inflated in price because of the "round-trip" trades and the inflated revenues of the Company;
- d. Causing the Consumers Energy Plan to continue to offer the Company Stock Funds as investment options for the investment of new assets of the Plan at a time when Defendants knew or should have known that new shares of Company Stock were inflated in price and were not a prudent investment for the Plan;
- e. Causing the Consumers Energy Plan to continue to accept and/or acquire shares of Company Stock for participant accounts at per share prices that exceeded fair market value and represented more than adequate consideration for such shares;
- f. Failing to disclose to participants and beneficiaries of the Plan that additional shares of Company Stock were being acquired for participant accounts at inflated values because revenues on Consumers Energy's financial statements did not report the true revenues of the Company and the price of Consumers Energy Stock prevailing on the national exchanges did not represent the fair market value of Company Stock; and
- g. Failing to adequately monitor the Plan to ensure that the performance of the Plan was in compliance with the terms of the Plan Document and statutory standards, and satisfied the needs of the Plan.

COUNT II

CLAIM FOR RELIEF UNDER ERISA SECTIONS 406 AND 407 AGAINST  
DEFENDANTS CMS ENERGY, CONSUMERS AND CMS MST

49. Plaintiff incorporates by reference all allegations of this Complaint as set forth in Paragraph 1 through Paragraph 48, above.

50. Defendants CMS Energy, Consumers and CMS MST, in connection with their actions and omissions in authorizing or causing the Consumers Energy Plan to continue to offer the Company Stock Funds as an investment option for the Consumers Energy Plan and permitting participants to invest in CMS Energy common stock at a time when they knew or should have known that Consumers Energy's revenue were materially inflated and that, as a result, the price per share at which the Consumers Energy Plan was acquiring CMS Energy common stock exceeded fair market value and was more than adequate consideration for such shares, caused the Consumers Energy Plan to engage in transactions that Defendants knew or should have known constituted a direct or indirect acquisition, on behalf of the Plan, of CMS Energy common stock in violation of Sections 406(a)(1)(E) and 407(a) of ERISA, 29 U.S.C. Section 1106(a)(1)(E) and 1107(a). Because the price at which the Defendants caused the Plan to accept and/or acquire such shares exceeded fair market value and was more than adequate consideration, the prohibited transactions are not exempt under the provisions of Section 408(e)(1) of ERISA 29 U.S.C. Section 1108(e)(2).

COUNT III

CLAIM FOR RELIEF UNDER ERISA SECTION 405 AGAINST DEFENDANTS  
CMS ENERGY, CONSUMERS AND CMS MST

51. Plaintiff incorporate by reference all allegations of this Complaint as set forth in Paragraph 1 through Paragraph 50, above.

Defendants CMS Energy, Consumers and CMS MST by failing to comply with their specific fiduciary responsibilities under section 404(a)(1) of ERISA, 29 U.S.C. Section 1104(a)(1), enabled their co-fiduciaries to commit violations of ERISA and, with knowledge of such breaches, failed to make reasonable

efforts to remedy the breach. Accordingly, Defendants CMS Energy, Consumers and CMS MST are each liable for the other fiduciaries' violations pursuant to Sections 405(a)(2) and (3) of ERISA, 29 U.S.C. Sections 1105(a)(2) and (3).

53. As a result of engaging in the breaches of their fiduciary responsibilities, obligations, and duties as described in Counts One through Three, Defendants have caused the Consumers Energy Plan to suffer financial loss for which they are jointly and severally liable, pursuant to section 409(a) of ERISA, 29 U.S.C. Section 1109(a).

54. Plaintiff Schilling brings this class action in his representative capacity as a participant in the Consumers Energy Plan, on behalf of a class defined as follows: All participants in the Consumers Energy Plan and their beneficiaries for whose accounts the fiduciaries of the Consumers Energy Plan accepted contributions of and/or acquired shares of CMS Energy common stock between August 3, 2000 and May 10, 2002.

55. There are more than 11,000 participants of the Consumers Energy Plan and therefore the persons in the class are so numerous that joinder of all members is impracticable.

56. There are questions of fact and law which are common to the entire class. Such common questions include;

- a. Whether Defendants CMS Energy, Consumers and CMS MST, through their officers and directors, knew or should have known that the revenues of Consumer Energy was materially inflated by the "round-trip" trades in 2000 and 2001.
- b. Whether as a result of the "round-trip" trades and the inflated revenues of the Company, the prices of CMS Energy common stock prevailing on the New York Stock Exchange in the period August 3, 2000 through May 10, 2002, were more than the fair market values of that stock;
- c. Whether the shares of CMS Energy common stock contributed to or acquired for participant August 3, 2000 through May 10, 2002, were acquired for greater than adequate consideration because the price of Company Stock was artificially inflated by the overstated revenues;
- d. Whether Defendants CMS Energy, Consumers and CMS MST, as the Named Fiduciaries of the Plan, breached their fiduciary obligations to the Consumers Energy Plan by failing to provide adequate information to participants and beneficiaries of the Plan with respect to the CMS Energy common stock of the

company stock funds as risk investment options in light of the facts known by Defendants regarding the "round-trip" trades and the inflated revenues of the Company;

- e. Whether Defendants CMS Energy, Consumers and CMS MST, as the Named Fiduciaries of the Plan, breached their fiduciary obligations to the Consumers Energy Plan by concealing from participants and beneficiaries of the Consumers Energy Plan material facts regarding the "round-trip" trades and the inflated revenues of the Company which prevented participants of the Plan from exercising independent control over investments in the Company Stock Fund;
- f. Whether Defendants CMS Energy, Consumers and CMS MST, as the Named Fiduciaries of the Plan, breached their fiduciary obligations to the Consumers Energy Plan by causing the Plan to continue to offer the Company Stock Funds as investment options for new investment of participant accounts at a time when Defendants knew or should have known that the per share prices of CMS Energy common stock were inflated by the Company's overstatement of revenues and that the new shares of CMS Energy common stock were not a prudent investment for the Plan;
- g. Whether Defendants CMS Energy, Consumers and CMS MST, as the Named Fiduciaries of the Plan, breached their fiduciary obligations to the Consumers Energy Plan by failing to disclose that revenues were overstated as a result of the "round-trip" trades and that the prices of Company Stock prevailing on the New York Stock Exchange did not represent fair market value and by causing the Plan to acquire shares of Company Stock for participant accounts at per share prices that exceeded fair market value and represented more than adequate consideration for such shares.
- h. Whether Defendants CMS Energy, Consumers and CMS MST, by failing to comply with their specific fiduciary responsibilities under section 404(a)(1) of ERISA, 29 U.S.C. Section 1104(a)(1), enabled their cofiduciaries to commit violations of ERISA and, with knowledge of such breaches, failed to make reasonable efforts to the remedy the breach and are each liable for the others' violations pursuant to Sections 405(a)(2) and (3) of ERISA, 29 U.S.C. Sections 1105(a)(2) and (3).
- i. Whether as a result of fiduciary breaches engaged in by Defendants the Consumers Energy Plan and its participants and their beneficiaries suffered losses.

57. Plaintiff's claims are typical of the claims of the class. Plaintiff has no interests antagonistic to the claims of the class.

58. Plaintiff will fairly and adequately protect the interests of the class. Plaintiff is committed to the vigorous representation of the class and has retained competent counsel experienced in the prosecution

of complex and class action litigation, including ERISA Litigation. Counsel have agreed to advance the costs of the litigation contingent upon the outcome.

59. Defendants have acted on grounds generally applicable to the Class, thereby justifying equitable relief for the class as a whole.

60. Plaintiff is unaware of any other pending litigation against the Defendants involving the breach of fiduciary duty claims under ERISA asserted in this Class Action Complaint.

61. Plaintiff is aware that there are a number of pending class actions against the Defendants brought by shareholders of the Company that involve allegation of securities violations under the Federal Securities Laws (the "CMS Energy Securities Class Actions"). As shareholders of CMS Energy the plaintiffs in the CMS Energy Securities Class Actions do not have standing under Section 502(a) ERISA, 29 U.S.C. Section 1132(a), to bring an action on behalf of the participants of the Plan for allegations of fiduciary breaches. Therefore, the interests of the Consumers Energy Plan and its participants cannot be adequately represented by the class plaintiffs in the CMS Energy Securities Class Actions.

62. The plaintiffs in the CMS Energy Securities Class Actions cannot adequately represent the Plan and its participants because they cannot pursue under the Federal Securities Laws all the relief which the Plan and its participants are entitled to obtain under Sections 502(a) and 409 of ERISA, 29 U.S.C. Sections 1132(a) and 1109.

63. Because of the nature of the claims, involving the liability of fiduciaries for their breach of duties commonly owed to all members of the class, no individual class member has an interest in individually controlling the prosecution of his or her claim.

64. Given Erica's imposition of a uniform standard of conduct on ERISA fiduciaries, the prosecution of separate actions by individual members of the class would create the possibility of inconsistent adjudications which would establish incompatible standards of conduct for the defendant fiduciaries with respect to their obligations under the Plans.

65. The prosecution of separate actions by individual members of the class would create the possibility of inconsistent adjudications concerning the legal standards of conduct for fiduciaries under these Plans, which could, as a practical matter, be dispositive of the interests of the other members or could impede their ability to protect their interests.

WHEREFORE, the Plaintiff prays that this Court:

(1) Certify this action as a class action brought pursuant to Fed.R.Civ.P. 23, certify Plaintiff as the class representative, and approve the undersigned attorneys as attorneys for the class;

(2) Grant judgment in Plaintiff's favor for breach of fiduciary duty and/or cofiduciary breach of duty against all Defendants;

(3) Order the Defendants to restore to the Plan all losses occasioned by their breaches of fiduciary duties, as herein alleged;

(4) Order appropriate relief to correct the prohibited transactions engaged in the Defendants, as herein alleged;

(5) Award Plaintiff reasonable attorneys' fees, costs and expenses; and

(6) Grant such other equitable and legal relief as the Court deems just.

Respectfully submitted,  
COUNSEL FOR PLAINTIFF ROGER D. SCHILLING

By: \_\_\_\_\_

BARRY D. ADLER (P30557)  
Attorney For Plaintiff  
30300 Northwestern Hwy., #304  
Farmington Hills, MI 48334  
(248) 855-5090

J. Brian McTigue (DC Bar No. 475904)  
Bruce F. Rinaldi (DC Bar No. 455187)  
McTIGUE LAW FIRM  
Attorneys for Plaintiff Roger D. Schilling  
3513 Connecticut Avenue, Suite 220  
Washington, DC 20015  
(202) 364-6900

(202) 364-9960 (fax)

Ellen M. Doyle (PA Bar No. 21854)  
MALAKOFF DOYLE & FINBERG, P.C.  
437 Grant Street, Suite 200  
Pittsburgh, PA 15219  
(412) 281-8400  
(412) 281-3262 (fax)

Dated: July 11, 2002