

SECURITIES AND EXCHANGE COMMISSION

FORM DEFS14A

Definitive proxy statement for special meeting

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FILER

CONSUMERS POWER CO

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CONSUMERS POWER COMPANY
CALL AND NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
JANUARY 31, 1994

To the Shareholders of Consumers Power Company:

A special meeting of shareholders of CONSUMERS POWER COMPANY is called and will be held on Monday, the 31st day of January 1994, at 4:00 P.M., Eastern Standard Time, at the Company's offices, 212 West Michigan Avenue, Jackson, Michigan, for the purpose of:

- (1) Considering and voting upon the approval of a proposed amendment to the Articles of Incorporation of the Company to create a new class of preferred stock and authorize the issuance by the Company of up to 16,000,000 shares thereof; and
- (2) Transacting such other business as may properly come before the meeting, or any adjournments thereof.

The Board of Directors has fixed December 27, 1993 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting. Preferred shareholders of all series outstanding and the Common shareholder will be entitled to vote on all matters that come before the meeting.

All shareholders are cordially invited to attend the special meeting.

The Board of Directors requests that you sign and date the enclosed proxy and return it in the enclosed envelope which requires no postage if mailed in the United States.

By order of the Board of Directors,

Thomas A. McNish, Secretary

Consumers Power Company
212 West Michigan Avenue
Jackson, Michigan 49201
January 10, 1994

PROXY STATEMENT

INTRODUCTION

The Board of Directors solicits your proxy for use at this special meeting and any adjournment thereof. The shares represented by your proxy will be voted as indicated on your proxy if it is signed and returned prior to the meeting. You may revoke your proxy at any time before it is exercised, provided that you so notify the Secretary of Consumers Power Company (the "Company" or "Consumers") in writing before the proxy is exercised.

The Board of Directors has fixed December 27, 1993 as the record date for the determination of shareholders entitled to vote at the special meeting. On that date, there was outstanding 84,108,789 shares of the Company's Common Stock (\$10 par value) held by CMS Energy Corporation ("CMS Energy") and 1,626,427 shares of the Company's Preferred Stock (\$100 par value). Holders of outstanding Preferred Stock and the holder of the Common Stock are entitled to 1 vote for each share. The affirmative vote of the holders of at least a majority of the outstanding shares of the Company's Common Stock and Preferred Stock (voting as a single class) is required for approval of the proposed amendment to the Company's Articles of Incorporation described herein. Under applicable Michigan law, in determining whether such proposal has received the requisite number of affirmative votes, abstentions and broker non-votes will have the same effect as a vote against such amendments. CMS Energy, the holder of all of the outstanding shares of Common Stock of the Company, has advised that it intends to vote in favor of the proposed amendment. Since such Common Stock constitutes 98% of the outstanding shares of stock entitled to vote on this proposal, the proposal is expected to be approved by the requisite vote whether or not the holders of some or all of the Preferred Stock vote against the proposal.

NBD Bank, N.A., as Trustee of the Supplemental Executive Retirement Plan of the Company, holds 116,080 shares representing 7.1% of the Company's Preferred Stock outstanding. To the knowledge of management, no other person other than CEDE & CO. and CMS Energy owned of record or beneficially more than 5% of any class of the Company's outstanding voting securities as of December 31, 1992. The directors and officers of Consumers, as a group, beneficially own less than 1% of the Preferred Stock of the Company.

The notice of special meeting and this proxy statement will be mailed to shareholders on January 10, 1994.

CREATION OF NEW CLASS OF CLASS A PREFERRED STOCK

The Board of Directors recommends amendments to Articles IV and VII of the Articles of Incorporation of the Company to create a new class of preferred stock designated as Class A Preferred Stock having no par value and to authorize the issuance by the Board of Directors of up to

16,000,000 shares thereof (as set forth in Appendices A and B). The authority to issue such shares of a new class of Preferred Stock would afford the Company greater flexibility in adjusting its capital structure.

The proposed Class A Preferred Stock, if and when issued, would be pari passu with respect to the Company's existing Preferred Stock as to dividends and payments in the event of the voluntary or involuntary liquidation of the Company. The Class A Preferred Stock will be issued in series, and the Company's Board of Directors will have the power to establish the rights and preferences of each such series including dividend rates, redemption prices (if any), the amounts payable in the event of voluntary or involuntary liquidation, certain voting rights, conversion rights (if any) and the terms of any sinking or purchase funds.

The holders of each share of Class A Preferred Stock will be entitled to vote along with the holders of the Company's existing Preferred Stock (voting as a single class) to elect a majority of the directors of the Company in the event that four quarterly dividends on any Class A Preferred Stock or Preferred Stock is in default. The affirmative vote of at least 66-2/3% of the holders of the Preferred Stock and the Class A Preferred Stock (voting as a single class) would also be required for the issuance of equity securities of the Company unless certain dividend and interest coverage and other tests specified in the Articles are satisfied. In addition, the approval of the holders of not less than 66-2/3% of the outstanding Class A Preferred Stock (voting together as a single class) would be required to authorize a class of stock preferred as to dividends or assets over the Class A Preferred Stock or to change any of the rights and preferences of the then outstanding Class A Preferred Stock.

The proposed Class A Preferred Stock would not be set aside for any specified purpose but would be subject to issuance by the Board of Directors in its discretion from time to time for any proper corporate purpose without further shareholder approval and at such prices as the Board may determine.

The proposed Class A Preferred Stock would have no associated pre-emptive rights, the same as all other classes of the Company's capital stock. There are no restrictions on the repurchase or redemption of shares by the Company while there is any arrearage in the payment of dividends or sinking fund installments. It is anticipated that the sale of shares of the proposed Class A Preferred Stock would be registered under the Securities Act of 1933. Currently, the Company has no arrangement, contract, or agreement relating to the issuance of shares of the proposed Class A Preferred Stock.

The Board of Directors recommends the approval of the amendments as stated in the following resolution:

RESOLVED: That Article IV and Article VII of the Company's Articles of Incorporation are amended to create a new class of preferred

stock designated as Class A Preferred Stock and to give the Board of Directors authority to issue up to 16,000,000 shares thereof.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THIS PROPOSAL.

OTHER MATTERS

The enclosed proxy card authorizes the voting of shares represented by the proxy on all other matters that may properly come before the special meeting. The Board of Directors does not know of any other matters that might be presented to the meeting except matters incident to the conduct of the meeting. However, if any other matters (including matters incident to the conduct of the meeting) do come before the meeting, it is intended that the holders of the proxies will vote thereon in their discretion.

SOLICITATION OF PROXIES

The cost of solicitation of proxies will be borne by the Company. Proxies may be solicited by officers and employees of the Company or its subsidiaries, personally or by telephone or mail. The Company has arranged for Morrow & Co., of 909 Third Avenue, 20th Floor, New York, New York 10022, to solicit proxies in such manner, and it is anticipated that the cost of such solicitations will not exceed \$5,000, plus incidental expenses. The Company may also reimburse brokers, dealers, banks, voting trustees or other record holders for postage and other reasonable expenses of forwarding the proxy material to the beneficial owners of shares of stock held of record by such brokers, dealers, banks, voting trustees or other record holders.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed by Consumers with the SEC pursuant to the Securities Exchange Act of 1934 (the "1934 Act") and are incorporated herein by reference and made a part of this Proxy Statement:

1. Consumers' Annual Report on Form 10-K for the year ended December 31, 1992 (containing the Company's consolidated financial statements and the accompanying notes and report of independent auditors, and management's discussion and analysis of financial condition and results of operations for the year).

2. Consumers' latest Quarterly Report on Form 10-Q for the quarter ended September 30, 1993.

3. All documents filed by Consumers with the Securities and Exchange Commission (SEC) pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Proxy Statement and prior to the date of the special meeting of shareholders of Consumers shall be deemed to be incorporated herein by reference and made a part of this

Proxy Statement from the date of filing of such documents.

The Company's consolidated financial statements for the year ended December 31, 1992 were audited by Arthur Andersen & Co. A representative of Arthur Andersen & Co. will be present at the special meeting and will have an opportunity to respond to appropriate questions.

Consumers hereby undertakes to provide without charge to each person to whom a copy of this Proxy Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Proxy Statement by reference, other than exhibits to such documents. Requests should be directed to Thomas A. McNish, Secretary, Consumers Power Company, 212 West Michigan Avenue, Jackson, MI 49201, telephone: (517) 788-1030.

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PLEASE MARK, SIGN AND MAIL THE ENCLOSED PROXY
IN THE ACCOMPANYING ENVELOPE

NO POSTAGE STAMP NECESSARY IF MAILED IN THE UNITED STATES

APPENDIX A

Article IV of the Articles of Incorporation (as proposed to be amended; new material is in italics; and deleted material is in brackets):

ARTICLE IV

The total number of shares of all classes of stock which the Company shall have authority to issue is {172,500,000} 188,500,000: 23,500,000 shares of preferred stock, {of which} 7,500,000 shares of which are of the par value of \$100 per share and are of a class designated Preferred Stock, and 16,000,000 shares of which are of no par value and are of a class designated Class A Preferred Stock; 40,000,000 shares are of the par value of \$1 per share and are of a class designated Preference Stock; and 125,000,000 shares are of the par value of \$10 per share and are of a class designated Common Stock.

APPENDIX B

Article VII of the Articles of Incorporation (as proposed to be amended excluding the Preference Stock section, which is unchanged; new material is in italics; and deleted material is in brackets):

ARTICLE VII

The statement of the designations and the voting and other powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of the Common Stock, of the Preference Stock, {and}

of the Preferred Stock and of the Class A Preferred Stock is as follows:

PREFERRED STOCK

(unchanged except for General Provisions)

CLASS A PREFERRED STOCK
Class A Preferred Stock Issuable in Series

The shares of Class A Preferred Stock may be divided into and issued in series. Each such series shall be so designated as to distinguish the shares thereof from the shares of all other series and classes, and all shares of the Class A Preferred Stock shall be identical, except as to the following relative rights and preferences, as to which there may be variations between different series:

- (a) The rate of dividend;
- (b) The price at which shares may be redeemed;
- (c) The amount payable upon shares in event of involuntary liquidation;
- (d) The amount payable upon shares in event of voluntary liquidation;
- (e) The voting rights of the holders of such series, if any; provided that such holders of all series shall have the voting rights hereinafter specified in these Articles;
- (f) The terms and conditions, if any, on which shares shall be by their terms convertible into or exchangeable for any other securities; and
- (g) The terms and conditions of a sinking or purchase fund, if any, for the redemption or purchase of such shares.

No change shall be made in any of the rights and preferences of any series of Class A Preferred Stock at the time outstanding in those respects in which the shares thereof vary from the shares of other series of Class A Preferred Stock at the time outstanding without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of such series of Class A Preferred Stock at the time outstanding, in addition to such other vote, if any, as may be required for such change under the applicable provisions of these Articles or of the Michigan Business Corporation Act.

Authority of Board of Directors As to Other Series

To the extent that series of Class A Preferred Stock have not been established and variations in the relative rights and preferences as between series have not been fixed and determined as hereinbefore set forth in these Articles, authority is vested in the Board of Directors of the Company to divide the shares of Class A Preferred Stock into and to establish series of Class A Preferred Stock, to fix and determine the relative rights and preferences of the shares of any series so established, to issue and sell any and all of the authorized and unissued shares of Class A Preferred Stock as shares of any series thereof established by these Articles or by action of the Board of Directors pursuant hereto, and to create a sinking or purchase fund for the redemption or purchase of shares of any series without the necessity of providing a sinking or purchase fund for any other series, and in the event that the Company shall acquire, by purchase or redemption or otherwise, any issued shares of its Class A Preferred Stock of any series, the Board of Directors may resell or convert and sell or otherwise dispose of, in their discretion, any shares so acquired as shares of the same series or of any other duly created series of Class A Preferred Stock.

PREFERRED STOCK AND CLASS A PREFERRED STOCK

General Provisions

{The following provisions shall apply to all shares of the Preferred Stock irrespective of series:} In these General Provisions, the Company's Preferred Stock, par value \$100 per share, is referred to as the "Preferred Stock"; the Company's Class A Preferred Stock is referred to as the "Class A Preferred Stock"; and the Preferred Stock and Class A Preferred Stock are together referred to as the "Company Preferred Stock".

(A) The holders of the Company Preferred Stock of each series shall be entitled to receive dividends, payable when and as declared by the Board of Directors, at such rates as shall be determined for the respective series thereof from the first day of the current dividend period within which such stock shall have been originally issued except that, as to any share of Preferred Stock originally issued subsequent to December 31, 1972, from the date upon which such share shall have been originally issued, before any dividends shall be declared or paid upon or set apart for the Common Stock or any other stock of the Company not having preference over the Company Preferred Stock as to payment of dividends. Such dividends shall be cumulative so that if for any dividend period or periods dividends shall not have been paid or declared and set apart for payment upon all outstanding Company Preferred Stock at the rates determined for the respective series, the deficiency shall be fully paid, or declared and set apart for payment, before any dividends shall be declared or paid upon the Common Stock or any other stock of the Company not having preference over the Company Preferred Stock as to payment of dividends. Dividends shall not be declared and set apart for payment, or paid, on the Company Preferred Stock of any one series, for any dividend period, unless dividends have been or are contemporaneously declared and

set apart for payment or paid on all series of the Company Preferred Stock {of all series} for all dividend periods terminating on the same or an earlier date. As to all series of the Company Preferred Stock, the term "dividend period" shall mean any of the four calendar quarters in each year commencing, respectively, the first day of January, April, July and October and the first days of each such calendar quarter shall be the dividend payment dates for the regular quarterly dividends payable for the preceding dividend period on such series.

(B) When full cumulative dividends as aforesaid upon {the} all series of the Company Preferred Stock {of all series} then outstanding for all past dividend periods and for the current dividend periods shall have been paid or declared and set apart for payment, the Board of Directors may declare dividends on the Common Stock or any other stock over which the Company Preferred Stock has a preference as to payment of dividends, and no holders of any series of the Company Preferred Stock as such shall be entitled to share therein; provided, however, that no dividends (other than dividends paid in or presently thereafter repaid to the Company for or as a capital contribution with respect to stock over which the Company Preferred Stock has preference as to payment of dividends and as to assets) shall be paid or any other distribution of assets made, by purchase of shares or otherwise, on Common Stock or on any other stock over which the Company Preferred Stock has preference as to payment of dividends or as to assets except out of earned surplus of the Company available for distribution to stock over which the Company Preferred Stock has preference as to payment of dividends and as to assets, or if, at the time of declaration thereof or the making of such distribution there shall not remain to the credit of earned surplus account (after deducting therefrom the amount of such dividends and distribution), an amount at least equal to (i) \$7.50 per share on all then outstanding shares of the Preferred Stock, (ii) in respect to the Class A Preferred Stock 7.5% of the aggregate amount established by the Board of Directors to be payable on the shares of each series thereof in the event of involuntary liquidation of the Company, and (iii) {of} \$7.50 per share on all then outstanding shares of all other stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets.

So long as any shares of the Company Preferred Stock are outstanding, the payment of dividends on the Common Stock (other than dividends payable in Common Stock) and the making of any distribution of assets to holders of Common Stock by purchase of shares or otherwise (each of such actions being herein embraced within the term "payment of Common Stock dividends") shall be subject to the following limitations (except as such payments may be approved or permitted by subsequent order of the Securities and Exchange Commission or any successor thereto or any other Federal governmental agency having the same or similar jurisdiction, or, in the event that the Company ceases to be subject to the jurisdiction of said Commission or of any successor thereto or of any such other Federal governmental agency, except as such payments may be permitted in accordance with a waiver of such limitations which shall have been

approved by the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of Preferred Stock and Class A Preferred Stock (voting as separate classes) at the time outstanding):

(a) If and so long as the ratio of the aggregate of the par value of, or stated capital represented by, the outstanding shares of Common Stock (including premiums on the Common Stock but excluding premiums on the Company Preferred Stock) and of the surplus of the Company to the total capitalization and surplus of the Company at the end of a period of twelve consecutive calendar months within the fourteen calendar months immediately preceding the calendar month in which the proposed payment of Common Stock dividends is to be made (which period is hereinafter referred to as the "base period"), adjusted to reflect the proposed payment of Common Stock dividends (which ratio is hereinafter referred to as the "capitalization ratio"), is less than 20%, the payment of Common Stock dividends, including the proposed payment, during the twelve calendar months period ending with and including the calendar month in which the proposed payment is to be made shall not exceed 50% of the net income of the Company available for the payment of dividends on the Common Stock during the base period;

(b) If and so long as the capitalization ratio is 20% or more but less than 25%, the payment of Common Stock dividends, including the proposed payment, during the twelve calendar months period ending with and including the calendar month in which the proposed payment is to be made shall not exceed 75% of the net income of the Company available for the payment of dividends on the Common Stock during the base period;

(c) Except to the extent permitted under paragraphs (a) and (b) above, the Company shall not make any payment of Common Stock dividends which would reduce the capitalization ratio to less than 25%.

For the purpose of the foregoing provisions, the following terms shall have the following meanings:

(1) The term "net income of the Company available for the payment of dividends on the Common Stock" shall mean for any base period the balance remaining after deducting from the total gross revenues of the Company from all sources during such period the following:

(a) All operating expenses and taxes, including charges to income for general taxes and for federal and state taxes measured by income, for retirement or depreciation reserve and for amortization or other disposition of amounts, if any, classified as amounts in excess of original cost of utility plant; (b) the amount,

if any, by which the aggregate of the charges to income during the period in question for repairs, maintenance and provision for depreciation is less than the maintenance and replacement requirement embodied in the Indenture, or any indenture supplemental thereto, succeeding the same or in substitution therefor; (c) all interest charges and other income deductions, including charges to income for amortization of debt discount, premium and expense and of the Company Preferred Stock premium and expense; and (d) all dividends applicable to the period in question on stock having preference over the Common Stock as to the payment of dividends.

(2) The term "total capitalization" shall mean the aggregate of the principal amount of all outstanding indebtedness of the Company maturing more than twelve months after the date of determination of total capitalization, plus the par value of, or stated capital represented by, the outstanding shares of all classes of stock of the Company, including any premiums on capital stock.

(3) The term "surplus" shall include capital surplus, earned surplus and any other surplus of the Company, adjusted to eliminate any amounts which may then be classified by the Company on its books as amounts in excess of the original cost of utility plant and which are not provided for by reserve and any items set forth on the asset side of the balance sheet of the Company as a result of accounting convention, such as unamortized debt discount and expense and the Company Preferred Stock expense, unless any such amount or item, as the case may be, is being amortized or is being provided for by reserve.

(C) Upon any dissolution, liquidation or winding up of the Company, whether voluntary or involuntary, the holders of the Company Preferred Stock of each series, without any preference of the shares of any series of the Company Preferred Stock over the shares of any other series of the Company Preferred Stock, shall be entitled to receive out of the assets of the Company, whether capital, surplus or other, before any distribution of the assets to be distributed shall be made to the holders of Common Stock or of any other stock not having preference as to assets over the Company Preferred Stock, the amount determined to be payable on the shares of such series in the event of voluntary or involuntary liquidation, as the case may be. In case the assets shall not be sufficient to pay in full the amounts determined to be payable on all the shares of the Company Preferred Stock in the event of voluntary or involuntary liquidation, as the case may be, then the assets available for such payment shall be distributed to the extent available as follows: first, to the payment, pro rata, of \$100 per share on each share of Preferred Stock outstanding irrespective of series and the amount established by the Board of Directors to be payable on each outstanding share of each series of Class A Preferred Stock in the event of

involuntary liquidation; second, to the payment of the accrued dividends on such shares, such payment to be made pro rata in accordance with the amount of accrued dividends on each such share; and, third, to the payment of any amounts in excess of \$100 per share of the Preferred Stock outstanding and the difference between the amount established by the Board of Directors to be payable on the outstanding shares of each series of Class A Preferred Stock in the event of voluntary liquidation and the amount similarly determined to be payable on such shares in the event of involuntary liquidation, plus accrued dividends which shall have been determined to be payable on the shares of any series in the event of voluntary or involuntary liquidation, as the case may be, such payment also to be made pro rata in accordance with the amounts, if any, so payable on each such share. After payment to the holders of the Company Preferred Stock of the full preferential amounts hereinbefore provided for, the holders of the Company Preferred Stock as such shall have no right or claim to any of the remaining assets of the Company, either upon any distribution of such assets or upon dissolution, liquidation or winding up, and the remaining assets to be distributed, if any, upon a distribution of such assets or upon dissolution, liquidation or winding up, may be distributed among the holders of the Common Stock or of any other stock over which the Company Preferred Stock has preference as to assets. Without limiting the right of the Company to distribute its assets or to dissolve, liquidate or wind up in connection with any sale, merger, or consolidation, the sale of all the property of the Company to, or the merger or consolidation of the Company into or with any other corporation shall not be deemed to be a distribution of assets or a dissolution, liquidation or winding up for the purposes of this paragraph.

(D) At the option of the Board of Directors of the Company, the Company may redeem any series of the Company Preferred Stock determined to be redeemable, or any part of any series, at any time at the redemption price determined for such series; provided, however, that not less than thirty nor more than sixty days previous to the date fixed for redemption a notice of the time and place thereof shall be given to the holders of record of the Company Preferred Stock so to be redeemed, by mail or publication, in such manner as may be prescribed by the By-laws of the Company or by resolution of the Board of Directors; and, provided, further, that in every case of redemption of less than all of the outstanding shares of any one series of the Company Preferred Stock, the shares of such series to be redeemed shall be chosen by lot in such manner as may be prescribed by resolution of the Board of Directors. At any time after notice of redemption has been given in the manner prescribed by the By-laws of the Company or by resolution of the Board of Directors to the holders of stock so to be redeemed, the Company may deposit, or may cause its nominee to deposit, the aggregate redemption price with some bank or trust Company named in such notice, payable on the date fixed for redemption as aforesaid and in the amounts aforesaid to the respective orders of the holders of the shares so to be redeemed, on endorsement to the Company or its nominee, or otherwise, as may be required, and upon surrender of the certificates for such shares. Upon the deposit of said money as aforesaid, or, if no such deposit is made, upon said redemption

date (unless the Company defaults in making payment of the redemption price as set forth in such notice), such holders shall cease to be shareholders with respect to said shares, and from and after the making of said deposit, or, if no such deposit is made, after the redemption date (the Company not having defaulted in making payment of the redemption price as set forth in such notice), the said holders shall have no interest in or claim against the Company, or its nominee, with respect to said shares, but shall be entitled only to receive said moneys on the date fixed for redemption as aforesaid from said bank or trust Company, or if no such deposit is made, from the Company, without interest thereon, upon endorsement, if required, and surrender of the certificates as aforesaid.

If such deposit shall be made by a nominee of the Company as aforesaid, such nominee shall upon such deposit become the owner of the shares with respect to which such deposit was made and certificates of stock may be issued to such nominee in evidence of such ownership.

In case the holder of any such Company Preferred Stock shall not, within six years after said deposit, claim the amount deposited as above stated for the redemption thereof, the Depositary shall upon demand pay over to the Company such amounts so deposited and the Depositary shall thereupon be relieved from all responsibility to the holder thereof.

Nothing herein contained shall limit any legal right of the Company to purchase any shares of the Company Preferred Stock.

(E) So long as any shares of the Preferred Stock are outstanding, the Company shall not, without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of the Preferred Stock (voting together as a single class) at the time outstanding, (a) adopt an amendment to these Articles if such amendment would either (i) authorize or create any class of stock preferred as to dividends or assets over the Preferred Stock or (ii) change any of the rights and preferences of the then outstanding Preferred Stock; provided, however, that nothing in this paragraph contained shall authorize the adoption of any amendment of these Articles by the vote of the holders of a less number of shares of the Preferred Stock, or of any other class of stock, or of all classes of stock, than is required for such amendment by the laws of the State of Michigan at the time applicable thereto.

(F) So long as any shares of Class A Preferred Stock are outstanding, the Company shall not, without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of Class A Preferred Stock at the time outstanding (voting together as a single class) adopt an amendment to these Articles if such amendment would either (i) authorize or create any class of stock preferred as to dividends or assets over the Class A Preferred Stock or (ii) change any of the rights and preferences of the then outstanding Class A Preferred Stock; provided, however, that nothing in this paragraph contained shall authorize the adoption of any amendment of these Articles by the vote of the holders of a lesser number of shares of Class A Preferred Stock, or of any other

class of stock, or of all classes of stock, than is required for such amendment by the laws of the State of Michigan at the time applicable thereto.

(G) So long as any shares of the Company Preferred Stock are outstanding, the Company shall not, without the affirmative vote in favor thereof of the holders of at least 66-2/3% of the shares of the Preferred Stock and Class A Preferred Stock (voting as separate classes) at the time outstanding,

{(b)} (a) issue, sell or otherwise dispose of any shares of the Company Preferred Stock or issue, sell or otherwise dispose of any stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets, unless, in any such case, (i) the net income of the Company available for the payment of dividends for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance, sale or disposition of such stock (including, in any case in which such stock is to be issued, sold or otherwise disposed of in connection with the acquisition of new property, the net income of the property to be so acquired, computed on the same basis as the net income of the Company available for the payment of dividends) is at least equal to two times the annual dividend requirements on all outstanding shares of the Company Preferred Stock and of all stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets, including the shares proposed to be issued, and (ii) the gross income of the Company available for the payment of interest for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the issuance, sale or disposition of such stock (including, in any case in which such stock is to be issued, sold or otherwise disposed of in connection with the acquisition of new property, the gross income of the property to be so acquired, computed on the same basis as the gross income of the Company available for the payment of interest) is at least equal to one and one-half times the aggregate of the annual interest requirements (adjusted by provision for amortization of debt discount and expense or of premium on debt, as the case may be) on all outstanding indebtedness of the Company and the annual dividend requirements (adjusted by provision for amortization of the Company Preferred Stock premium and expense) on all outstanding shares of the Company Preferred Stock and of all stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets, including the shares proposed to be issued; or

{(c)} (b) issue, sell or otherwise dispose of any shares of the Company Preferred Stock or issue, sell or otherwise dispose of any stock over which the Company Preferred Stock does

not have preference as to the payment of dividends and as to assets, unless, in any such case, the aggregate of the par value of, or stated capital represented by, the outstanding shares of Common Stock and of the surplus of the Company (paid-in, earned and other, if any) shall be not less than the aggregate amount payable in the event of involuntary liquidation upon all outstanding shares of the Company Preferred Stock and of all stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets, including the shares proposed to be issued, provided that no portion of the surplus of the Company utilized to satisfy the foregoing requirement shall be available for dividends or other distributions of assets, by purchase of shares or otherwise, on Common Stock or on any other stock over which the Company Preferred Stock has preference as to the payment of dividends and as to assets until shares of the Company Preferred Stock or of stock over which the Company Preferred Stock does not have preference as to the payment of dividends and as to assets are retired and then only to the extent of the amount payable in the event of involuntary liquidation upon such shares or until and then only to the extent that the par value of, or stated capital represented by, the outstanding shares of Common Stock shall have been increased.

For the purpose of the foregoing provisions, the following terms shall have the following meanings:

(1) The term "net income of the Company available for the payment of dividends" shall mean the balance remaining after deducting from the total gross revenues of the Company from all sources the following: (a) all operating expenses and taxes, including charges to income for general taxes and for federal and state taxes measured by income, for retirement or depreciation reserve and for amortization or other disposition of amounts, if any, classified as amounts in excess of original cost of utility plant, (b) the amount, if any, by which the aggregate of the charges to income during the period in question for repairs, maintenance and provision for depreciation is less than the maintenance and replacement requirement embodied in the Indenture, or any indenture supplemental thereto, succeeding the same or in substitution therefor, and (c) all interest charges and other income deductions, including charges to income for the amortization of debt discount, premium and expense and of the Company Preferred Stock premium and expense.

(2) The term "gross income of the Company available for the payment of interest" shall mean the balance remaining after deducting from the total gross revenues of the Company from all sources the following: (a) all operating expenses and taxes, including charges to income for general taxes and for federal and state taxes measured by income, for retirement or

depreciation reserve and for amortization or other disposition of amounts, if any, classified as amounts in excess of original cost of utility plant and (b) the amount, if any, by which the aggregate of the charges to income during the period in question for repairs, maintenance and provision for depreciation is less than the maintenance and replacement requirement embodied in the Indenture, or any indenture supplemental thereto, succeeding the same or in substitution therefor.

(F) The term "accrued dividends" shall be deemed to mean in respect of any share of any series of the Company Preferred Stock {of any series}, as of any given date, the amount, if any, by which the product of the rate of dividend per annum, determined upon the shares of such series, multiplied by the number of years and any fractional part of a year which shall have elapsed from the date after which dividends on such stock became cumulative to such given date, exceeds the total dividends actually paid on such stock and the dividends declared and set apart for payment. Accumulations of dividends shall not bear interest.

The term "outstanding", whenever used herein with respect to shares of the Company Preferred Stock or of any other class of stock which are by their terms redeemable, or with respect to bonds or other evidences of indebtedness shall not include any such shares or bonds or evidences of indebtedness which have been called for redemption in accordance with the provisions applicable thereto, of which call for redemption notice shall have been given, as required by such provisions and for the redemption of which a sum of money sufficient to pay the amount payable on such redemption shall have been deposited with a bank or trust Company, irrevocably in trust for such purpose, or any bonds or other evidences of indebtedness for the payment of which at maturity provision has been made in a similar manner.

The term "capital represented by" whenever used herein with respect to shares of stock of the Company shall mean at any time the amount paid in on or contributed, transferred or otherwise then held and recorded or accounted for, as permitted by the provisions of law applicable thereto, as capital with respect to said shares.

COMMON STOCK

(unchanged)

VOTING POWERS GENERALLY

At all meetings of the shareholders of the Company, the holders of the Preferred Stock and the holders of Common Stock shall be entitled on all questions to one vote for each share of stock held by them respectively, regardless of class.

Whenever and as often as four quarterly dividends payable on the Company Preferred Stock of any series shall be in default, in whole or in

part, the holders of the Company Preferred Stock of all series shall have the exclusive right, voting separately and as a single class, to vote for and to elect the smallest number of directors which shall constitute a majority of the then authorized number of directors of the Company, and, in all matters other than the election of directors, each holder of one or more shares of the Company Preferred Stock shall be entitled to one vote for each such share of stock held {by him}. In the event of defaults entitling the holders of Company Preferred Stock to elect a majority of the directors as aforesaid, the holders of the Common Stock shall, subject to the prior rights of the holders of the Preference Stock, have the exclusive right, voting separately and as a class, to vote for and to elect the greatest number of directors which shall constitute a minority of the then authorized number of directors of the Company, and, in all matters other than the election of directors, each holder of Common Stock shall be entitled to one vote for each such share of stock held {by him}. The right of the holders of the Company Preferred Stock to elect a majority of the directors, however, shall cease when all defaults in the payment of dividends on their stock shall have been cured, and such dividends shall be declared and paid out of any funds legally available therefor as soon as, in the judgment of the Board of Directors, is reasonably practicable. The terms of office of all persons who may be directors of the Company at the time when the right to elect a majority of the directors shall accrue to the holders of the Company Preferred Stock, as herein provided, shall terminate upon the election of their successors at a meeting of the shareholders of the Company then entitled to vote. Such election shall be held at the next annual meeting of shareholders or may be held at a special meeting of shareholders, which shall be held upon notice as provided in the By-laws of the Company for a special meeting of the shareholders, at the request in writing of the holders of not less than 1,000 shares of the then outstanding Company Preferred Stock entitled to vote addressed to the Secretary of the Company at its principal business office. Any vacancy in the Board of Directors occurring during any period that the Company Preferred Stock shall have elected representatives on the Board shall be filled by a majority vote of the remaining directors (or the one director) representing the class of stock theretofore represented by the director causing the vacancy. Upon the termination of such exclusive right of the holders of the Company Preferred Stock to elect a majority of the directors of the Company, the terms of office of all the directors of the Company shall terminate upon the election of their successors at a meeting of the shareholders of the Company then entitled to vote. Such election shall be held at the next annual meeting of shareholders or may be held at a special meeting of shareholders, which shall be held upon notice as provided in the By-laws of the Company for a special meeting of the shareholders, at the request in writing of the holders of not less than 1,000 shares of the then outstanding Common Stock addressed to the Secretary of the Company at its principal business office.

At all meetings of the shareholders held for the purpose of electing directors during such times as the holders of the Company Preferred Stock shall have the exclusive right to elect a majority of the

directors of the Company, the presence in person or by proxy of the holders of a majority of the outstanding shares of Common Stock shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of a majority of the outstanding shares of the Company Preferred Stock {of all series} shall be required to constitute a quorum of such class for the election of directors; provided, however, that the absence of a quorum of the holders of stock of either class shall not prevent the election at any such meeting, or adjournment thereof, of directors by the other class if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting; and provided, further, that, in the absence of a quorum of the holders of stock of either class, a majority of those holders of such stock who are present in person or by proxy shall have the power to adjourn the election of those directors to be elected by that class from time to time without notice, other than announcement at the meeting, until the requisite amount of holders of stock of such class shall be present in person or by proxy.

At all elections of directors, {each shareholder} shareholders will be entitled to as many votes as shall equal the number of {his} their shares of stock multiplied by the number of directors to be elected for whom such {shareholder} shareholders may vote, and {he} they may cast all of such votes for a single director or may distribute them among the number to be voted for, or any two or more of them, as {he} they may see fit.

For the purposes of the foregoing provisions, the Company Preferred Stock of all series shall be deemed to be a single class.

PRE-EMPTIVE RIGHTS

The holders of shares of Preferred Stock, Class A Preferred Stock, or of Common Stock shall have no pre-emptive rights to subscribe for or purchase any additional issues of shares of the capital stock of the Company of any class now or hereafter authorized or any {Preferred Stock,} bonds, debentures, or other obligations or rights or options convertible into or exchangeable for or entitling the holder or owner to subscribe for or purchase any shares of capital stock, or any rights to exchange shares issued for shares to be issued.

PREFERRED STOCK PROXY SOLICITED BY THE BOARD OF DIRECTORS FOR SPECIAL MEETING OF SHAREHOLDERS

The undersigned appoints W.T. MC CORMICK, JR. and T.A. MC NISH, and each of them, proxies with full power of substitution, to vote on behalf of the undersigned at a special meeting of shareholders of Consumers Power Company to be held at the Company's Offices, 212 W. Michigan, Jackson Michigan at 4:00 PM on Monday January 31, 1994 and at any adjournment or adjournments thereof. Said proxies, and each of them present and acting

at the meeting, may vote upon the matters set forth on the reverse side hereof and with discretionary authority on all other matters that come before the meeting; all as more fully set forth in the Proxy Statement received by the undersigned. The shares represented hereby will be voted on the proposal as specified. IF THIS PROXY IS RETURNED SIGNED BUT NOT COMPLETE, IT WILL BE VOTED IN FAVOR OF THE PROPOSAL.

PLEASE VOTE, SIGN AND DATE THIS PROXY ON THE REVERSE SIDE AND RETURN IT IN THE ENCLOSED ENVELOPE.

Thank you for your prompt response.

PLEASE VOTE, SIGN AND DATE BELOW

PROPOSAL:
- - - - -

Amend Article IV and Article VII of the Company's Articles of Incorporation to create a new class of Preferred Stock designated as Class A Preferred Stock and to give the Board of Directors authority to issue up to 16,000,000 shares thereof.

___ FOR ___ AGAINST ___ ABSTAIN

The Board of Directors recommends a vote FOR THE PROPOSAL.

PLEASE SIGN, DATE AND RETURN THIS PROXY IN THE ENCLOSED ENVELOPE. No postage is needed if mailed in the United States.

Dated _____, 1994