FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. 0000950124-95-001411

FILER

MCN CORP
CIK:**837579**| IRS No.: **382820658** | State of Incorp.:**MI** | Fiscal Year End: **1231**
Type: **10-Q/A** | Act: **34** | File No.: **001-10070** | Film No.: **95536195**
SIC: **4924** Natural gas distribution

Business Address
500 GRISWOLD ST
DETROIT MI 48226
3132565500

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

AMENDMENT NO. 1

(MARK ONE)
/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1995, OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-10070

MCN CORPORATION
(Exact name of registrant as specified in its charter)

<TABLE>
<S> <C>

MICHIGAN	38-2820658
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
500 GRISWOLD STREET, DETROIT, MICHIGAN	48226
(Address of principal executive offices)	(Zip Code)

</TABLE>

Registrant's telephone number, including area code 313-256-5500

NO CHANGES
(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes 'X'No

Number of shares outstanding of each of the registrant's classes of common stock, as of April 30, 1995:

Common Stock, par value $.01 per share: 65,828,408

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FOR QUARTER ENDED MARCH 31, 1995

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PART I -- FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MCN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

	MARCH 31,		DECEMBER 31,
	1995	1994	1994
<S>	<C>	<C>	<C>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents, at cost (which approximates market value)......	$ 12,764	$ 23,916	$ 11,547
Accounts receivable, less allowance for doubtful accounts of $21,217, $29,630 and $16,101, respectively........	268,034	326,134	214,158
Accrued unbilled revenues........	60,323	83,932	83,053
Gas in inventory (Note 1)........	59,277	15,579	131,649
Property taxes assessed applicable to future periods........	43,964	40,089	54,728
Gas receivable........	28,405	17,188	21,069
Other........	26,717	23,320	27,306
	499,484	530,158	543,510
DEFERRED CHARGES AND OTHER ASSETS			
Investment in and advances to joint ventures........	64,202	60,541	64,505
Deferred postretirement benefit cost........	19,867	25,406	20,670
Other........	141,536	83,703	123,501
	225,605	169,650	208,676
PROPERTY, PLANT AND EQUIPMENT, at cost			
Gas distribution........	2,231,588	2,119,117	2,206,462
Exploration & production........	313,114	104,822	277,118
Gas gathering & processing........	74,020	56,731	67,889
Computer operations services & other........	53,158	39,848	53,356
	2,671,880	2,320,518	2,604,825
Less -- Accumulated depreciation and depletion........	1,139,898	1,070,418	1,112,387
	1,531,982	1,250,100	1,492,438
	$2,257,071	$1,949,908	$2,244,624
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable........	$ 114,162	$ 148,407	$ 142,647
Notes payable........	144,031	105,043	228,807
Current portion of long-term debt, capital lease obligations and redeemable cumulative preferred stock........	6,671	6,009	7,319
Gas inventory equalization (Note 1)........	67,808	109,155	--
Federal income, property and other taxes payable........	86,541	96,394	86,972
Refunds payable to customers........	5,760	11,120	19,560
Customer deposits........	10,485	10,940	11,581
Other........	61,291	73,490	67,809
	496,749	560,558	564,695

DEFERRED CREDITS AND OTHER LIABILITIES			
Accumulated deferred income taxes	101,698	72,706	93,326
Unamortized investment tax credit	38,213	40,101	38,684
Tax benefits amortizable to customers	113,344	128,279	115,067
Accrued postretirement benefit cost	9,290	11,179	26,060
Minority interest	18,478	18,185	18,670
Other	115,577	70,993	88,490
	396,600	341,443	380,297
LONG-TERM DEBT, including capital lease obligations	601,081	514,661	685,519
REDEEMABLE CUMULATIVE PREFERRED SECURITIES OF SUBSIDIARIES	100,000	2,618	102,618
COMMITMENTS AND CONTINGENCIES (Note 3)			
COMMON SHAREHOLDERS' EQUITY			
Common stock	658	591	598
Additional paid-in capital	434,476	320,907	331,571
Retained earnings	228,137	210,014	179,862
Unearned compensation and ESOP benefit	(630)	(884)	(536)
	662,641	530,628	511,495
	$2,257,071	$1,949,908	$2,244,624

</TABLE>

The notes to the consolidated financial statements are an integral part of this statement.

MCN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
(THOUSANDS EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		TWELVE MONTHS ENDED MARCH 31,	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
OPERATING REVENUES	$547,968	$656,757	$1,437,011	$1,577,063
OPERATING EXPENSES				
Cost of gas	288,295	392,017	719,714	900,138
Operation and maintenance	104,329	106,899	396,655	359,110
Depreciation, depletion and amortization	29,013	24,052	108,581	85,435
Property and other taxes	18,822	20,235	63,575	65,580
Total operating expenses	440,459	543,203	1,288,525	1,410,263
OPERATING INCOME	107,509	113,554	148,486	166,800
EQUITY IN EARNINGS OF JOINT VENTURES	1,244	1,598	5,935	8,541
OTHER INCOME AND (DEDUCTIONS)				
Interest income	1,813	1,877	6,429	6,079
Interest on long-term debt	(11,319)	(8,139)	(41,393)	(29,905)
Other interest expense	(4,124)	(2,420)	(12,439)	(10,260)
Dividends on preferred securities of subsidiaries	(2,418)	(136)	(4,300)	(666)
Minority interest	(564)	(761)	(2,682)	(3,298)
Other	(1,081)	(690)	(6,032)	(5,765)
Total other income and (deductions)	(17,693)	(10,269)	(60,417)	(43,815)
INCOME BEFORE INCOME TAXES	91,060	104,883	94,004	131,526
INCOME TAX PROVISION	29,470	35,761	23,768	43,658
NET INCOME	$ 61,590	$ 69,122	$ 70,236	$ 87,868
EARNINGS PER SHARE	$ 1.02	$ 1.17	$ 1.18	$ 1.49

AVERAGE COMMON SHARES OUTSTANDING	60,595	59,088	59,766	58,824
DIVIDENDS DECLARED PER SHARE	$ .2225	$ .2150	$ .8750	$ .8500

</TABLE>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (UNAUDITED)
(THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,		TWELVE MONTHS ENDED MARCH 31,	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
BALANCE -- Beginning of period	$179,862	$153,589	$210,014	$172,128
ADD -- Net income	61,590	69,122	70,236	87,868
	241,452	222,711	280,250	259,996
DEDUCT -- Cash dividends declared on common stock	13,315	12,697	52,110	49,979
Other	--	--	3	3
BALANCE -- End of period	$228,137	$210,014	$228,137	$210,014

</TABLE>

The notes to the consolidated financial statements are an integral part of these statements.

MCN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(THOUSANDS OF DOLLARS)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1995	1994
<S>	<C>	<C>
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 61,590	$ 69,122
Adjustments to reconcile net income to net cash provided from operating activities		
Depreciation, depletion and amortization		
Per statement of income	29,013	24,052
Charged to other accounts	1,865	1,586
Deferred income taxes and investment tax credit -- net	6,178	(2,781)
Equity in earnings of joint ventures, net of distributions	92	(1,386)
Other	261	777
	98,999	91,370
Changes in assets and liabilities, exclusive of changes shown separately	52,347	126,318
Net cash provided from operating activities	151,346	217,688
CASH FLOW FROM FINANCING ACTIVITIES		
Notes payable -- net	(86,055)	(175,261)
Common stock dividends paid	(13,315)	(12,697)
Issuance of common stock (Note 2)	102,964	3,885
Revolving credit facility -- net	(80,000)	21,100
Retirement of long-term debt and preferred stock	(4,671)	(4,252)
Other	(671)	(787)
Net cash used for financing activities	(81,748)	(168,012)
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	(74,768)	(38,651)
Investment in joint ventures	(1,560)	(2,014)
Sale of investment in joint ventures	7,628	--
Return of investment from joint ventures	--	3,223

Other	319	(792)
Net cash used for investing activities	(68,381)	(38,234)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,217	11,442
CASH AND CASH EQUIVALENTS, JANUARY 1	11,547	12,474
CASH AND CASH EQUIVALENTS, MARCH 31	$ 12,764	$ 23,916
CHANGES IN ASSETS AND LIABILITIES, EXCLUSIVE OF CHANGES SHOWN SEPARATELY		
Accounts receivable -- net	$(53,876)	$ (89,200)
Accrued unbilled revenues	22,730	17,395
Gas in inventory	72,372	29,984
Gas receivable	(7,335)	(6,229)
Accounts payable	(28,485)	21,111
Deferred income taxes -- current	(1,880)	(7,470)
Gas inventory equalization	67,808	109,155
Federal income, property and other taxes payable	(431)	32,614
Refunds payable to customers	(13,800)	326
Other current assets and liabilities	3,792	12,776
Deferred assets and liabilities	(8,548)	5,856
	$ 52,347	$ 126,318
SUPPLEMENTAL DISCLOSURES		
Interest paid, net of amounts capitalized	$ 9,416	$ 6,860
Federal income taxes received	$ (1,309)	$ --

</TABLE>

The notes to the consolidated financial statements are an integral part of this statement.

MCN CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GAS IN INVENTORY

Inventory gas is priced on a last-in, first-out (LIFO) basis. In anticipation that interim inventory reductions will be replaced prior to year end, the cost of gas for net withdrawals from inventory is recorded at the estimated average purchase rate for the calendar year. The excess of these charges over the LIFO cost is credited to the gas inventory equalization account. During interim periods when there are net injections to inventory, the equalization account is reversed. Approximately 42.8 billion cubic feet (Bcf) and 20.2 Bcf of gas was in inventory at March 31, 1995 and 1994, respectively.

2. COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

In March 1995, MCN sold 5,750,000 shares of new common stock in a public offering, generating net proceeds of approximately $99,000,000.

3. CONTINGENCIES

As described in MCN's 1994 Annual Report on Form 10-K, the Federal Energy Regulatory Commission (FERC) issued an order in 1993 which required Panhandle Eastern Pipe Line Company (Panhandle) to refund to MichCon the costs of certain direct billings totaling $5.4 million plus interest of $4.4 million. During 1994, the FERC issued an order permitting Panhandle to bill MichCon $4.4 million in interest. These costs were accrued in 1994. MichCon's request for rehearing of the 1994 order was denied. MichCon has appealed the issue to the District of Columbia Circuit Court. In March 1995, Panhandle sued MichCon in the United States District Court seeking judgment for the $4.4 million. If MichCon is ultimately unsuccessful in defeating Panhandle's claim, it is anticipated that these costs will be recoverable through the GCR mechanism and therefore, an asset has been recorded for their future recovery.

MCN is involved in certain legal and administrative proceedings before various courts and governmental agencies concerning claims arising in the ordinary course of business. Management cannot predict the final disposition of such proceedings, but believes that adequate provision has been made for probable losses. It is management's belief, after discussion with legal counsel, that the ultimate resolution of those proceedings still pending will not have a material adverse effect on MCN's financial statements.

4. GENERAL

There have been no changes in MCN's principal accounting policies from those set forth in MCN's 1994 Annual Report on Form 10-K. Certain reclassifications have been made to the prior year's financial statements to conform with the 1995 presentation.

The unaudited information furnished herein, in the opinion of management, reflects all adjustments (consisting of only recurring adjustments or accruals) necessary for a fair presentation of the results of operations during the periods.

Because of seasonal and other factors, revenues, expenses, net income and earnings per share for the interim periods should not be construed as representative of revenues, expenses, net income and earnings per share for all or any part of the balance of the current year or succeeding periods.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

EARNINGS SUPPRESSED BY WARM WEATHER -- MCN reported earnings of $61.6 million ($1.02 per share) for the first quarter of 1995, a decrease of $7.5 million ($.15 per share) from the 1994 quarter. Earnings for the 1995 twelve-month period decreased $17.7 million ($.31 per share) from the corresponding 1994 period. A summary of financial performance follows:

<TABLE>
<CAPTION>

	QUARTER		12 MONTHS	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
NET INCOME (in Millions)				
Gas Distribution..	$56.7	$66.0	$51.6	$75.4
Diversified Services....................................	4.9	3.1	18.6	12.5
	$61.6	$69.1	$70.2	$87.9
EARNINGS PER SHARE				
Gas Distribution..	$ .94	$1.12	$ .87	$1.28
Diversified Services....................................	.08	.05	.31	.21
	$1.02	$1.17	$1.18	$1.49

</TABLE>

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STRATEGIC DIRECTION -- MCN's strategic direction is to invest in a portfolio of gas-related projects, including gas distribution, exploration and production, gathering and processing systems, storage projects, cogeneration facilities and other areas of expertise. MCN is continuing to pursue opportunities in these areas through both its Gas Distribution and Diversified Services businesses, as subsequently discussed.

GAS DISTRIBUTION

RESULTS REFLECT 13.7% WARMER WEATHER -- Earnings decreased $9.3 million and $23.8 million for the 1995 quarter and twelve-month period, respectively, as compared to the 1994 periods. The decrease in earnings for both periods was primarily due to lower gas deliveries resulting from significantly warmer weather from the comparable periods last year. Under normal weather conditions, earnings for the 1995 quarter would have been $61.4 million ($1.02 per share) compared to $59.0 million ($1.00 per share) for the 1994 quarter. Likewise, weather adjusted earnings for the 1995 twelve-month period were $67.4 million ($1.13 per share) versus $69.3 million ($1.18 per share) in 1994.

<TABLE>
<CAPTION>

	QUARTER		12 MONTHS	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
EFFECT OF WEATHER ON GAS MARKETS AND EARNINGS				
Percentage Colder (Warmer) than Normal.....................	(5.8)%	7.9%	(11.0)%	3.5%
Increase (Decrease) from Normal in:				
Gas Markets (Bcf)..	(5.2)	7.8	(17.4)	6.7
Net Income (Millions)....................................	$(4.7)	$7.0	$(15.8)	$6.1
Earnings Per Share.......................................	$(.08)	$.12	$ (.26)	$.10

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

GROSS MARGIN

GROSS MARGIN DOWN 9% -- Gas Distribution gross margin (operating revenues less cost of gas) decreased $22.4 million for the 1995 quarter due to lower gas deliveries resulting from the warmer weather. Gross margin for the twelve-month period decreased $9.1 million also due to the effects of warmer weather offset partially by an increase in gas sales rates, reflecting a general rate increase of $15.7 million, effective January 1994.

<TABLE>
<CAPTION>

	QUARTER		12 MONTHS	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
GAS DISTRIBUTION OPERATIONS (in Millions)				
Operating Revenues*................................	$427.8	$540.8	$1,013.1	$1,210.8
Cost of Gas..	212.9	303.5	446.1	634.7
Gross Margin.......................................	214.9	237.3	567.0	576.1
Operating Expenses*				
Operation & Maintenance............................	78.4	87.5	308.1	289.2
Depreciation, Depletion & Amortization.............	22.3	21.3	85.8	77.1
Property & Other Taxes.............................	16.7	18.9	56.5	61.5
	117.4	127.7	450.4	427.8
Operating Income...................................	97.5	109.6	116.6	148.3
Equity in Earnings of Joint Ventures...............	.4	.8	1.6	3.8
Other Income & (Deductions)*				
Interest Income....................................	1.0	1.4	3.8	4.7
Interest on Long-Term Debt.........................	(8.3)	(6.6)	(29.7)	(25.9)
Other Interest Expense.............................	(3.0)	(2.2)	(9.9)	(8.1)
Other..	(.8)	(.8)	(5.3)	(6.4)
	(11.1)	(8.2)	(41.1)	(35.7)
Income Before Income Taxes.........................	86.8	102.2	77.1	116.4
Income Taxes.......................................	30.1	36.2	25.5	41.0
Net Income...	$ 56.7	$ 66.0	$ 51.6	$ 75.4

</TABLE>

*Includes intercompany transactions

Gas sales and end user transportation deliveries in total decreased in the 1995 quarter and twelve-month period by 16.8 Bcf and 23.2 Bcf, respectively, due mainly to warmer weather. However, the effect of weather for the 1995 twelve-month period was partially offset by growth in the end user transportation market.

	QUARTER		12 MONTHS	
	1995	1994	1995	1994
GAS DISTRIBUTION MARKETS (in Bcf)				
Gas Sales..	90.5	106.0	188.9	218.4
End User Transportation....................................	43.6	44.9	138.7	132.4
Intermediate Transportation*...............................	105.9	107.7	301.9	313.1
	240.0	258.6	629.5	663.9

*Includes intercompany volumes

Intermediate transportation deliveries decreased in the 1995 quarter and twelve-month period primarily as the result of reduced volumes transported for Canadian customers, partially offset by increased transportation for

Michigan gas producers and brokers. Profit margins on intermediate transportation services are considerably less than margins on gas sales or for end user transportation markets.

There has been a significant increase in Michigan Antrim gas production over the past few years, resulting in a growing demand by gas producers and brokers for intermediate transportation services. The increased demand has resulted from time to time in capacity constraints on MichCon's northern Michigan pipeline system. In March 1995, MichCon received approval from the Michigan Public Service Commission (MPSC) to expand its transportation system. The expansion project will require approximately $40 million for additional pipeline and related facilities. Construction is planned to commence this summer and to be completed by the fall of 1995. The expanded system, in conjunction with existing facilities, is expected to transport approximately 135 Bcf of Antrim gas annually, generating revenues of approximately $12 million per year.

COST OF GAS

Cost of gas is affected by variations in sales volumes and cost of gas rates. Through the Gas Cost Recovery (GCR) mechanism, MichCon's rates are set to recover 100% of prudently and reasonably incurred gas costs. Therefore, significant fluctuations in total gas costs have little effect on gross margins or earnings.

Cost of gas sold decreased in the 1995 quarter and twelve-month period due to lower sales volumes resulting from the warmer weather as well as lower prices paid for natural gas in the spot market. The decrease in market prices paid for gas resulted in a decrease in the cost of gas sold per thousand cubic feet of $.60 (20.2%) and $.65 (21.6%) in the 1995 quarter and twelve-month period, respectively, from the comparable 1994 periods.

A majority of MichCon's interstate gas supply contracts are priced based on natural gas spot indices. To mitigate price volatility associated with gas purchases, MichCon has reserved the right to fix the prices it pays under some of these contracts. In order to capture declining gas prices during 1994, MichCon fixed the price on approximately 34 Bcf of gas in advance of the month of purchase. As a result of a further decline in gas prices during 1994, MichCon's cost of gas would have been approximately $10.0 million (1.9%) lower in 1994 had it not fixed these prices.

MichCon filed its 1994 GCR reconciliation case with the MPSC in February 1995. In this case, the MPSC will decide whether MichCon's 1994 gas costs were reasonable and prudent. To date, MichCon's 1994 gas purchase practices have not been challenged. An order is expected at the end of 1995. MichCon believes that it acted reasonably and prudently by fixing the gas prices based upon the information available at the time.

As described in MCN's 1994 Annual Report on Form 10-K, the Federal Energy Regulatory Commission (FERC) issued an order in 1993 which required Panhandle Eastern Pipe Line Company (Panhandle) to refund to MichCon the costs of certain direct billings totaling $5.4 million plus interest of $4.4 million. During 1994, the FERC issued an order permitting Panhandle to bill MichCon for $4.4 million in interest. These costs were accrued in 1994. MichCon's request for rehearing of the 1994 order was denied. MichCon has appealed the issue to the District of Columbia Circuit Court. In March 1995, Panhandle sued MichCon in the United States (U.S.) District Court seeking judgment for the $4.4 million. If MichCon is ultimately unsuccessful in defeating Panhandle's claim, it is anticipated that these costs will be recoverable through the GCR mechanism and therefore, an asset has been recorded for their future recovery.

OTHER OPERATING EXPENSES

Operation and maintenance expenses were lower in the 1995 quarter due to lower uncollectible accounts resulting from warmer than normal weather and a reduction in retirement benefit costs. Operation and maintenance expenses increased for the 1995 twelve-month period due to higher postretirement benefit costs

of $25.2 million being recognized as a result of the new accounting requirements under Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." These costs are being recovered in rates that became effective in January 1994. Management's continuing efforts to reduce operating costs contributed to the decrease in operation and maintenance expenses for the 1995 quarter and partially offset the increase for the 1995 twelve-month period.

In March 1995, the U.S. House of Representatives voted to eliminate all funding for the Low-Income Home Energy Assistance Program (LIHEAP). Subsequently, the U.S Senate voted to restore the program's $1.3 billion appropriation. Currently, delegates from the House and Senate are organizing to meet to resolve the differences between the House and Senate packages. MichCon continues its vigorous efforts to maintain this funding. LIHEAP funding currently provides approximately $78 million in heating assistance to 385,000 Michigan households through the Department of Social Services, with approximately 40% of the funds going to MichCon customers.

Depreciation and depletion increased for the 1995 quarter and twelve-month period due mainly to higher plant balances, reflecting capital expenditures of $289.1 million over the past two calendar years. The 1995 twelve-month period also reflects higher depreciation rates that were implemented in January 1994.

Property and other taxes for the 1995 quarter and twelve-month period reflect a decrease in Michigan single business taxes due primarily to lower earnings. In addition, the 1995 periods also reflect lower property taxes due to changes in Michigan legislation, partially offset by increased taxes due to higher property balances.

EQUITY IN EARNINGS OF JOINT VENTURES

Earnings from joint ventures decreased for the 1995 quarter and twelve-month period due primarily to higher operating and interest expenses incurred by the Blue Lake gas storage venture. MCN's 50% interest in the Blue Lake project is owned equally by Gas Distribution and Diversified Services.

MCN TO ACQUIRE AN INTEREST IN MISSOURI UTILITY -- During the 1995 quarter, MCN agreed to acquire an approximately 50% interest in an entity formed to construct, own and operate a natural gas transmission and distribution system located in southern Missouri. The agreement is subject to MCN obtaining assurance from the Securities and Exchange Commission (SEC) that the acquisition is consistent with its exemption under the Public Utility Holding Company Act of 1935. Construction of the system, which began in March 1995, is expected to be completed in early 1997 at a cost of approximately $40 million. The 475 mile pipeline system will initially provide service to approximately 10,000 customers.

OTHER INCOME & DEDUCTIONS

The increase in other income and deductions for the 1995 quarter and twelve-month period reflects additional interest expense relating to the issuance of $80 million of first mortgage bonds in September 1994. In addition, the interest on varying levels of pending customer refunds contributed to the 1995 twelve-month period increase.

INCOME TAXES

Income taxes decreased for the 1995 quarter and twelve-month period due to reduced earnings and the favorable resolution of prior years' tax issues.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

DIVERSIFIED SERVICES

EARNINGS INCREASE 58% -- The Diversified Services group continued to make an increasing contribution to MCN's earnings. Earnings increased $1.8 million ($.03 per share) for the current quarter and $6.1 million ($.10 per share) for the twelve-month period. Higher earnings from both the gas services and the computer operations services segments resulted in the improvement, as subsequently discussed.

<TABLE>
<CAPTION>

<S>	QUARTER 1995 <C>	QUARTER 1994 <C>	12 MONTHS 1995 <C>	12 MONTHS 1994 <C>
DIVERSIFIED SERVICES OPERATIONS (in Millions)				
Operating Revenues*				
Gas Services	$104.0	$103.5	$357.9	$313.6
Computer Operations Services	25.7	20.1	93.8	78.3
	129.7	123.6	451.7	391.9
Operating Expenses*				
Gas Services	93.4	98.7	325.0	294.5
Computer Operations Services	23.4	18.7	86.3	71.9
Corporate & Other	2.9	2.2	8.6	6.9
	119.7	119.6	419.9	373.3
Operating Income (Loss)				
Gas Services				
Exploration & Production	5.6	.4	18.9	2.5
Gas Marketing & Cogeneration	3.3	2.2	6.3	7.5
Gas Gathering & Processing	1.7	2.2	7.7	9.1
	10.6	4.8	32.9	19.1
Computer Operations Services	2.3	1.4	7.5	6.4
Corporate & Other	(2.9)	(2.2)	(8.6)	(6.9)
	10.0	4.0	31.8	18.6
Equity in Earnings of Joint Ventures	.8	.8	4.3	4.7
Other Income & (Deductions)*				
Interest Income	.3	.5	.4	1.6
Interest Expense	(3.7)	(1.8)	(12.0)	(6.3)
Minority Interest	(.6)	(.8)	(2.7)	(3.3)
Dividends on preferred securities of subsidiary	(2.3)	--	(3.8)	--
Other	(.3)	--	(1.3)	(.1)
	(6.6)	(2.1)	(19.4)	(8.1)
Income Before Income Taxes	4.2	2.7	16.7	15.2
Income Taxes				
Current and Deferred Provision	1.6	1.0	6.9	6.4
Federal Gas Production Tax Credits	(2.3)	(1.4)	(8.8)	(3.7)

	(.7)	(.4)	(1.9)	2.7
Net Income	$ 4.9	$ 3.1	$ 18.6	$ 12.5

</TABLE>

*Includes intercompany transactions

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

GAS SERVICES

OPERATING INCOME INCREASES OVER 120% -- Gas services increase in operating income of $5.8 million for the 1995 quarter and $13.8 million for the 1995 twelve-month period primarily reflects earnings from gas exploration & production operations. The increase for the 1995 quarter also reflects improved results in the gas marketing & cogeneration business.

<TABLE>
<CAPTION>

	QUARTER		12 MONTHS	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
DIVERSIFIED SERVICES GAS STATISTICS (in Bcf)				
Gas Sales*				
Gas Marketing & Cogeneration	43.5	38.5	147.3	122.2
Exploration & Production**	3.3	--	10.7	.1
Transportation	7.2	5.7	22.1	21.8
	54.0	44.2	180.1	144.1
Company Gas Production	6.4	1.5	21.4	3.8
Exchange Gas Flows	12.0	10.4	24.6	26.9
Gas Processed	3.2	--	5.2	--

</TABLE>

* Includes intercompany volumes
**Represents gas sales made directly to third parties by E&P operations. Other E&P production is sold to affiliated companies for marketing.

Exploration & production (E&P) operating income increased $5.2 million and $16.4 million for the 1995 quarter and twelve-month period, respectively. The results reflect a significantly higher level of gas produced due to the start-up of production in early 1993 as well as production from properties that were acquired in mid-1994 and the development of other new projects during 1994 and 1995. Additionally, E&P operations have increased the earnings of the Diversified Services group through the generation of increased federal gas production tax credits.

E&P operating results were also impacted by lower sales rates and lower unit operating costs being achieved as production volumes have increased. The lower sales prices were mitigated by risk management strategies, as subsequently discussed.

Gas marketing & cogeneration operating income for the 1995 quarter increased $1.1 million due to more favorable margins on a higher level of gas sales. As discussed below, favorable margins were maintained in part due to the use of natural gas hedging contracts. Profit margins were also affected by additional revenues earned from providing gas peaking services and increased volumes related to exchange gas contracts. Typically under exchange contracts, MCN's gas marketing business delivers gas to customers during periods of peak demand and takes redelivery of the gas at an off-peak time.

Operating income for the 1995 twelve-month period decreased $1.2 million despite an increase in gas sales of 25.1 Bcf. The decrease reflects higher costs associated with increased storage and transportation capacity. The higher storage and transportation costs were incurred to support further anticipated increases in the level of gas sales in future periods.

MCN's gas marketing & cogeneration business has several long-term sales contracts in place under which it will sell annual volumes ranging from 10 Bcf to 55 Bcf through 2014.

RISK MANAGEMENT STRATEGY -- MCN primarily manages price risk through the maintenance of a portfolio of gas supply and gas sale agreements. MCN uses natural gas futures, options and swap contracts to manage

net open positions that give rise to price risk. As of March 31, 1995, net open positions over the next ten years are minimal and therefore the price risk has been largely hedged.

Gas gathering & processing operating income decreased by $.5 million and $1.4 million for the 1995 quarter and twelve-month period, respectively, reflecting a lower average transportation rate. The decrease was partially offset by revenues from volumes transported through new pipeline extensions. The 1995 periods were also favorably affected by income from new gas processing plants that reduce carbon dioxide levels in Michigan Antrim gas.

In response to an increase in Michigan Antrim gas production, MCN has partnered with others to meet a growing demand for transportation and processing services. MCN will continue to both construct and acquire pipeline extensions and processing plants which interconnect with its existing Gas Distribution and Diversified Services pipeline network.

COMPUTER OPERATIONS SERVICES

OPERATING INCOME INCREASES OVER 60% -- Computer operations services' operating income increased $.9 million for the current quarter and $1.1 million for the twelve-month period. The improvements reflect higher operating revenues from new business added throughout 1994 and from increased services to existing customers.

CORPORATE & OTHER

Both the 1995 quarter and twelve-month period reflect increased expenses associated with the development of new projects.

EQUITY IN EARNINGS OF JOINT VENTURES

Diversified Services earnings from joint ventures decreased $.4 million in the 1995 twelve-month period. The decrease reflects lower earnings from the Blue Lake gas storage venture due to higher operating and interest expenses. Earnings from the gas marketing and gas processing joint ventures have been impacted by the sale of a Canadian gas brokering partnership and two gas processing facilities in the 1995 quarter. The loss in other joint ventures for the 1994 twelve-month period includes a reserve for the write-off of assets related to the natural gas torch business.

<TABLE>
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	QUARTER		12 MONTHS	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
EQUITY IN EARNINGS OF JOINT VENTURES (in Millions)				
Gas Storage	$1.2	$1.0	$ 4.4	$ 5.4
Gas Marketing & Cogeneration	(.4)	(.5)	(1.2)	(1.4)
Gas Gathering & Processing	.1	.5	1.3	1.9
Other	(.1)	(.2)	(.2)	(1.2)
	$ .8	$ .8	$ 4.3	$ 4.7

</TABLE>

In 1993, MCN acquired a 40% interest in a partnership which was formed to own and operate a $120 million, 42 Bcf underground natural gas storage field in southeastern Michigan. In March 1995, MCN acquired the remaining 60% interest in the partnership, giving MCN 100% control over the development of the storage field. However, it is MCN's intention to sell a 50% interest in the project to a third party. The development of the storage field is awaiting the negotiation of long-term storage agreements with potential customers.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

OTHER INCOME & DEDUCTIONS

The 1995 quarter and twelve-month period reflect higher interest costs on long-term debt due to increased borrowings, at higher interest rates, required to finance capital investments in the Diversified Services operations. Other income and deductions for the 1995 periods also include dividends on $100 million of preferred securities of a subsidiary which were issued in November 1994.

INCOME TAXES

Income taxes for the 1995 quarter and twelve-month period were favorably impacted by increased federal gas production tax credits related to E&P projects. This impact was offset partially by taxes on improved earnings in all 1995 periods.

CAPITAL RESOURCES AND LIQUIDITY

OPERATING ACTIVITIES

MCN's cash flow from operating activities totaled $151.3 million for the first quarter of 1995, decreasing $66.4 million from the comparable 1994 quarter. The decrease was due primarily to higher working capital requirements.

	QUARTER	
	1995	1994
CASH FLOW FROM OPERATING ACTIVITIES (in Millions)		
Gas Distribution	$ 87.7	$ 86.7
Diversified Services	11.3	4.7
	99.0	91.4
Changes in Assets and Liabilities	52.3	126.3
Cash Flow from Operating Activities	$151.3	$217.7

FINANCING ACTIVITIES

MCN sold 5,750,000 shares of new common stock in a public offering during the 1995 first quarter, generating net proceeds of approximately $99 million. Proceeds from the common stock issuance were used to fund capital expenditures, repay loans under bank credit agreements and for general corporate purposes.

MCN also issues new shares of common stock pursuant to its Dividend Reinvestment and Stock Purchase Plan and various employee benefit plans. During 1995, MCN anticipates the issuance of new shares of common stock pursuant to these plans, generating approximately $16 million. During the 1995 first quarter, MCN issued approximately 226,000 shares, generating $4.0 million.

Gas Distribution

Cash and cash equivalents normally increase and short-term debt is reduced in the first part of each year as gas inventories are depleted and funds are received from winter heating sales. During the first quarter of 1995, MichCon repaid $88.8 million of short-term debt, including commercial paper. During the latter part of the year, cash and cash equivalents decrease as funds are used to finance increases in gas inventories and customer accounts receivable. To meet its seasonal short-term borrowing needs, MichCon normally issues commercial paper which is backed by credit lines with several banks. MichCon has established credit lines of up to $109 million through August 1995. Commercial paper of $54.7 million was outstanding as of March 31, 1995 under these lines. MichCon's commercial paper is currently rated "A-1" or its equivalent by the major rating agencies.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

In 1994, MichCon began a Trust Demand Note program which allows MichCon to borrow up to $25 million. As of March 31, 1995, borrowings of $25 million were outstanding under this program, but were repaid in April 1995.

Cash requirements for capital investments are estimated to be approximately $250 million for 1995. In anticipation of future permanent capital requirements, MichCon filed with and received approval from the MPSC for the authority to issue and sell securities and enter into additional long-term financing arrangements of up to $150 million. In May 1995, MichCon filed a registration statement with the SEC for the issuance of up to $150 million of first mortgage bonds. MichCon's current shelf registrations allow for the issuance of up to an additional $30 million of first mortgage bonds. During the second quarter of 1995, MichCon anticipates issuing approximately $70 million of first mortgage bonds under these shelf registration statements. MichCon's capital requirements and general financial market conditions will affect the timing and amount of future debt issuances. MichCon's capitalization objective is to maintain a ratio of approximately 50% debt to 50% equity. Future long-term debt offerings are expected to carry MichCon's current debt rating of "A."

Construction of the $40 million transmission and distribution system located in southern Missouri is expected to be funded through $25 million of construction financing and $15 million of partner contributions.

Diversified Services

In anticipation of future permanent capital requirements, MCN Investment and MCN plan to file a joint shelf registration with the SEC during the second quarter of 1995 for the issuance of up to $200 million of debt securities. MCN Investment's capital requirements and general market conditions will affect the timing and amount of future debt issuances.

MCN Investment also maintains $320 million of credit lines to finance capital investments and working capital requirements of its gas marketing operations. During the second quarter of 1995, MCN Investment plans to initiate a $400 million commercial paper program. MCN Investment intends to increase its credit lines to allow for all commercial paper issuances to be backed by such lines.

INVESTING ACTIVITIES

CAPITAL INVESTMENTS IN 1995 TO EXCEED $600 MILLION -- Capital investments increased $47.0 million in the first quarter of 1995 primarily due to higher capital expenditures for Gas Distribution investments and Diversified Services E&P and joint venture cogeneration projects. Gas Distribution capital expenditures included construction of distribution lines to reach communities not previously served by MichCon.

<TABLE>
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	QUARTER	
	1995	1994
<S>	<C>	<C>
CAPITAL INVESTMENTS (in Millions)		
Consolidated Capital Expenditures:		
Gas Distribution	$28.4	$20.4
Diversified Services	47.8	18.3
	76.2	38.7

MCN's Share of Joint Venture Capital Expenditures:		
Gas Cogeneration	8.9	--
Other	1.7	1.1
	10.6	1.1
Minority Partners' Share of Consolidated Capital Expenditures	.1	.1
Total Capital Investments	$86.7	$39.7

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS--(CONTINUED)

MCN's strategic direction is to significantly grow MCN by investing in a portfolio of gas-related projects. Accordingly, MCN's capital investments are anticipated to range from $300 to $650 million annually over the next several years. For 1995, MCN anticipates investing approximately $250 million in Gas Distribution to add new customers and develop new gas transportation markets. Another $400 million is expected to be spent in Diversified Services, of which $200 million will be in exploration and production, $40 million to develop the Michigan Power cogeneration facility and the remainder primarily in gas storage and gathering pipeline projects.

The proposed level of investments in 1995 and future years will increase capital requirements materially in excess of internally generated funds and require the issuance of additional debt and equity securities. MCN's capitalization objective is to maintain a ratio of approximately 50% debt to 50% equity, excluding nonrecourse project debt. Including nonrecourse debt, MCN has targeted a ratio of approximately 60% debt to 40% equity. It is management's opinion that MCN and its subsidiaries will have sufficient capital resources, both internal and external, to meet anticipated capital requirements.

PART II -- OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

MCN held its Annual Meeting of Shareholders on April 27, 1995. As of February 27, 1995, the record date for determination of shareholders entitled to vote at the Annual Meeting, there were 59,986,300 shares outstanding and entitled to vote. Of these shares, 49,708,735, or 82.9%, were present by proxy, and 10,277,565 shares were not voted.

At the Annual Meeting, shareholders voted:

1) To elect the following Directors to serve for three year terms:

<TABLE>
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DIRECTOR	NUMBER OF SHARES CONSENTING FOR	NUMBER OF SHARES WITHHOLDING CONSENT
<S>	<C>	<C>
Thomas H. Jeffs II	49,168,196	540,539
Arthur L. Johnson	49,101,414	607,321
Dale A. Johnson	49,175,774	532,961
William K. McCrackin	49,024,331	684,404

</TABLE>

2) To approve an amendment to the MCN Corporation Stock Incentive Plan to increase the number of shares of MCN Common Stock, par value $.01 per share, authorized to be issued under the plan, with 42,913,386 shares voted for ratification of the amendment, 5,877,630 shares voted against, and abstentions of 917,719 shares.

3) To appoint Deloitte & Touche LLP as independent auditors for the year ending December 31, 1995, with 49,207,949 shares voted for

ratification of the appointment, 169,835 shares voted against, and abstentions of 330,951 shares.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION
<S>	<C>
10-1	MCN Corporation Stock Incentive Plan, as amended.
27-1	Financial Data Schedule.

</TABLE>

(b) Reports on Form 8-K

MCN filed a report on Form 8-K dated March 14, 1995, under Item 5, with respect to the offering of its Common Stock (par value $.01 per share) in which the Form of Purchase Agreement was filed as an Exhibit.

MCN filed an additional report on Form 8-K dated March 14, 1995, under Item 5, in connection with gas purchases during 1994 of Michigan Consolidated Gas Company, a wholly owned subsidiary of MCN.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MCN CORPORATION

Date: May 10, 1995 By: /s/ Patrick Zurlinden

Patrick Zurlinden
Vice President, Controller
and Chief Accounting Officer

1

EXHIBIT 10.1

MCN CORPORATION

STOCK INCENTIVE PLAN

(as amended effective April 27, 1995)

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MCN CORPORATION
STOCK INCENTIVE PLAN
(as amended effective April 27, 1995)

ARTICLE I
PURPOSE

The purpose of the MCN Corporation Stock Incentive Plan (the "Plan") is to promote the success of MCN Corporation (the "Corporation" or "MCN") by providing a method whereby eligible employees of the Corporation and its affiliated companies may be awarded additional remuneration for services rendered and encouraged to invest in the Common Stock of the Corporation, thereby increasing their proprietary interest in the Corporation's business, encouraging them to remain in the employ of the Corporation or its affiliated companies, and increasing their personal interest in the continued success and progress of the Corporation.

ARTICLE II
DEFINITIONS

2.1 The following terms have the meaning described below when used in the Plan:

(a) "Award" shall refer to the Restricted Stock Award granted under Article VII and except for purposes of Article VII, a Performance Unit Award granted under Article VIII.
(b) "Board of Directors" shall mean the Board of Directors of the Corporation.
(c) "Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.
(d) "Committee" shall mean the committee appointed by the Board of Directors to administer the Plan pursuant to Article III.
(e) "Common Stock" shall mean common stock, par value $.01 of the Corporation.
(f) "Corporation" shall mean MCN Corporation or any successor to it in ownership of all or substantially all of its assets.
(g) "Earlier Plan" shall mean the MCN Stock Option Plan.

(h) "Incentive Stock Option" shall mean a stock option granted under Article VI which is intended to meet the requirements of Section 422A of the Code.
(i) "Nonqualified Stock Option" shall mean a stock option granted under Article VI which is not intended to be an Incentive Stock Option.
(j) "Option" shall mean an Incentive or Non-qualified Stock Option.
(k) "Participant" shall mean an eligible employee who has been granted an option or Award.
(l) "Participating Company" shall mean the Corporation or any subsidiary or other affiliated entity (whether or not

incorporated) designated by the Board of Directors.

(m) "Restricted Stock Award" shall mean an award of common stock under Article VII hereof.

(n) "Stock Appreciation Right" shall mean a right granted under Section 6.5.

(o) "Performance Unit Award" shall mean an award granted under Article VIII.

(p) "Vesting Date" shall mean the date upon which restrictions or limitations on Options or Awards lapse.

ARTICLE III
ADMINISTRATION

3.1 (a) The Board of Directors of the Corporation shall appoint not less than three Directors or disinterested persons to the Committee which shall administer the Plan. No individual shall become a member of a Committee if he or she shall have been eligible to receive an Option or Award under the Plan (or a predecessor of any part of the Plan) at any time during the twelve month period prior to his or her becoming a member and no member of the Committee shall be eligible to receive an option, Stock Appreciation Right or Award granted by such Committee under the Plan while a member of that Committee. The Committee shall have full power and authority subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be issued or adopted by the Board of Directors to grant to eligible persons options and Stock Appreciation Rights

under Article VI of the Plan, to grant Restricted Stock Awards under Article VII of the Plan, to grant Performance Unit Awards under Article VIII of the Plan, to interpret the provisions of the Plan and any agreements relating to Options, Stock Appreciation Rights and Awards granted under the Plan and to supervise the administration of the Plan, all subject to ratification or modification by the Board of Directors, a majority of which directors acting in any such matter shall be disinterested persons.

(b) All decisions made by the Committee pursuant to the provisions of the Plan and related orders or resolutions of the Board of Directors shall be final, conclusive and binding on all persons, including the Corporation, stockholders, employees and beneficiaries of employees.

ARTICLE IV
SHARES SUBJECT TO THE PLAN

4.1(a) Subject to adjustment pursuant to Section 4.1(b), the aggregate number of shares of Common Stock with respect to which Options, Stock Appreciation Rights, Awards and Performance Units may be granted under the Plan in any calendar year shall not exceed one percent of the shares of Common Stock outstanding in any year. The one-percent limitation shall be calculated by dividing the aggregate number of shares of Common Stock with respect to which Options, Stock Appreciation Rights, Awards and Performance Units are granted under the Plan in any calendar year by the total number of shares outstanding on the first day during the calendar year on which Options, Stock Appreciation Rights, Awards, and Performance Units are granted. If the number of shares granted with respect to Options, Stock Appreciation Rights, Awards, or Performance Units is not determinable, then the limitation shall be calculated using the largest number of shares expected to be issued. Provided, however, that the number of Shares, Options, Stock Appreciation Rights, Awards, or Performance Units that may issued under this Plan subsequent to February 27, 1995 may not exceed 5% of the number of shares issued and outstanding on that date.

Shares of Common Stock may be made available from the authorized but unissued shares of the Corporation or from shares reacquired by the Corporation including shares purchased in the open market. If an Option, Restricted Stock Award, or Performance Unit Award granted under the Plan shall expire or terminate for any reason during a calendar year, the shares subject to, but not delivered, under such option or Award shall be available for other options and Awards to the same employee or other employees.

(b) In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or other change in corporate structure affecting the Common Stock, the Committee shall make the appropriate adjustment in the aggregate number of shares which may be delivered under the Plan and the number of shares subject to outstanding options, Stock Appreciation Rights and Awards to reflect such action. If any such adjustment shall result in a fractional share, such fraction shall be disregarded.

ARTICLE V
ELIGIBILITY

5.1 Key employees of the Corporation and other Participating Companies, as shall be determined by the Committee, are eligible to participate in the Plan.

ARTICLE VI
STOCK OPTIONS

6.1 Subject to the limitations of the Plan, the Committee shall, after such consultation with and consideration of the recommendations of management as the Committee considers desirable, select from eligible employees those to be granted options and determine the time when each option shall be granted and the number of shares subject to each option, and shall select the optionees to receive Stock Appreciation Rights and the Options on which such rights shall relate. options may be either Incentive Stock Options or

Nonqualified Stock Options, and more than one option and Stock Appreciation Right may be granted to the same person. Stock Appreciation Rights may be granted to holders of any unexpired options granted under the Plan or the Earlier Plan.

6.2 Option Agreements. Each Option under the Plan shall be evidenced by an option agreement which shall be signed by an officer of the Corporation and the optionee and shall contain such provisions as may be approved by the Committee. Any such option agreement may be supplemented and amended from time to time as approved by the Committee, provided that the terms of such option agreement after being amended or supplemented conform to the terms of the Plan. Any option agreement for Nonqualified Stock options shall state that the Nonqualified Stock Options granted thereunder shall not be treated as Incentive Stock Options. Each Stock Appreciation Right shall be evidenced by the option agreement for the option to which it relates. In the case of any such right relating to a previously granted option, the option agreement shall be supplemented to evidence such right.

6.3 Option Price. The price at which shares may be purchased upon exercise of a particular Incentive Stock option shall be not less than one hundred percent (100%) of the fair market value of such shares on the date such Option is granted as determined in accordance with procedures to be established by the Committee.

6.4 Exercise of Options.

(a) Subject to the provisions of the Plan with respect to death, disability, retirement and termination of employment, the period during which each Option may be exercised shall be fixed by the Committee at the time such Option is granted but such period in no event shall expire later than ten years from the date the Option is granted.

(b) Except as permitted by Sections 6.7 and 9.1, each option may be exercised only after one year of continued employment by the Corporation or any of its affiliated companies and only during the continuance of the optionee's employment with the Company or any of its affiliated companies. Subject to the foregoing limitations and the terms and conditions of the option agreement and unless canceled prior to exercise, each Option shall be exercisable in whole or in part in installments at such time or times as the Committee may prescribe and specify in the applicable option agreement.

(c) No shares shall be delivered pursuant to any exercise of an Option until payment in full of the option price therefor is received by the Corporation. Such payment shall be made in cash or, in the discretion of the Committee, through the delivery of shares of Common Stock of the corporation with a value equal to the total option price, or a combination of cash and shares, or by other means which the Committee determines are consistent with the Plan's purpose and applicable law, provided that for Incentive Stock Options such other means are established on or before the date such Option was granted. Any shares so delivered shall be valued at their fair market value on the trading day preceding the exercise date determined as provided in Section 6.3. Payment of the option price may be made by borrowing from the Corporation pursuant to the terms and conditions provided for in the MCN Stock Option Plan previously approved by shareholders. No optionee or legal representative, legatee of distributee of any optionee shall be deemed to be a holder of any shares subject to any Option prior to the issuance of such shares upon exercise of such Option or any related Stock Appreciation Right.

6.5 Stock Appreciation Rights.

(a) Stock Appreciation Rights may be granted to such optionees holding Options granted under the Plan or the Earlier Plan as the Committee may select and upon such terms and conditions as the Committee may prescribe. Each Stock Appreciation Right shall relate to a specific option granted and may be granted concurrently with the Option to which it relates or at any time prior to the exercise, expiration or termination of such Option. A Stock Appreciation Right shall entitle the optionee, subject to the provisions of the Plan and the related option agreement, to receive from the Corporation an amount not more than the excess of the fair market value on the exercise date of the number of shares for which the Stock Appreciation Right is exercised over the option price for shares under the related Option. For this purpose such fair market value shall be determined as provided in Section 6.3.

(b) A Stock Appreciation Right shall be exercisable on such dates or during such periods as may be determined by the Committee from time to time, provided that the Committee may for administrative convenience, determine that for any Stock Appreciation Right relating to a Nonqualified Stock Option which right can only be exercised during a limited period of time in order to satisfy rules imposed by the Securities and Exchange Commission, the exercise of any such right for cash during such limited period shall be deemed to occur for all purposes hereunder on the day during such limited period on which the fair market value of the Common Stock determined as provided in Section 6.3, is the highest and provided, further, that no Stock Appreciation Right shall be exercisable at a time when the related Option could not be exercised nor may it be exercised with respect to a number of shares in excess of the number for which such Option could then be exercised. Any such determination by the Committee may be changed by the Committee from time to time and may govern the exercise of Stock Appreciation Rights granted prior to such determination as well as Stock Appreciation Rights thereafter granted.

(c) A stock Appreciation Right may be exercised only upon surrender of the related Option by the optionee which shall be terminated to the extent of the number of shares for which the Stock Appreciation Right is exercised. Shares covered by such a terminated Option or portion thereof granted under the Plan shall be available for other Options or Awards under the Plan.

(d) The amount payable by the Corporation upon exercise of a Stock Appreciation Right may be paid in cash, in shares (valued at their fair market value on the exercise date determined as provided in Section 6.3) or in any combination thereof as the Committee shall determine from time to time. No fractional shares shall be issued and the optionee shall receive cash in lieu thereof.

(e) The Committee may impose any other conditions upon the exercise of a Stock Appreciation Right, which may include a condition that the Stock Appreciation Right may be exercised only in accordance with rules and regulations adopted by the Committee from time to time. Such rules and regulations may govern the right

to exercise Stock Appreciation Rights granted prior to the adoption or amendment of such rules and regulations as well as Stock Appreciation Rights granted thereafter.

(f) The Committee may at any time amend or suspend any Stock Appreciation Right theretofore granted under the Plan, provided that the terms of any Stock Appreciation Right after any amendment shall conform to the provisions of the Plan. A Stock Appreciation Right shall terminate upon the termination or expiration of the related Option.

6.6 Transferability of Options and Stock Appreciation Rights. An Option granted under the Plan may not be transferred except by will or the laws of descent and distribution and, during the lifetime of the person to whom granted, may be exercised only by such person. A Stock Appreciation Right may not be transferred to anyone and my be exercised only by the optionee to whom it was granted.

6.7 Death, Disability, Retirement and Termination of Employment. Subject to the condition that no Option may be exercised in whole or in part after the expiration of the option period specified in the applicable option agreement and subject to the Committee's right to cancel any Option:

(a) Upon the death of any optionee while employed or within the three-year period referred to in clause (b) below, the person or persons to whom such optionee's rights under the Option are transferred by will or the laws of descent and distribution may, prior to three (3) years after (i) the date of such optionee's death while employed or (ii) the termination of such optionee's employment for a reason referred to in clause (b) below, as the case may be, purchase any or all of the shares with respect to which such optionee was entitled to exercise such Option immediately prior to his or her death.

(b) Upon termination of employment as a result of disability as defined in section 22(e)(3) of the Code or retirement pursuant to a retirement Plan of the Corporation or any of its direct or indirect subsidiaries, an optionee may, within three years after the date of such termination, purchase any or all of the shares with respect to which such optionee was entitled to exercise such Option immediately prior to

such termination, and

(c) Upon termination of employment for cause, an optionee's Options shall be canceled to the extent not theretofore exercised.

(d) Upon termination of employment for any reason other than death, disability, retirement or cause, an optionee may exercise any Option or Stock Appreciation Right which was exercisable on the date of termination of employment or such additional period as the Committee may determine, but in no event later than the original expiration date of the Option.

(e) For purpose of the Plan, the term "cause" shall mean repeated material breaches of an optionee's duties of employment which are not cured after receipt by the optionee of written notice specifying such breaches or the optionee's conviction of a felony involving moral turpitude.

ARTICLE VII
RESTRICTED STOCK AWARDS

7.1 Subject to the limitations of the Plan, the Committee shall, after such consultation with and consideration of the recommendations of management as the Committee considers desirable, select from eligible employees those Participants to be granted Restricted Stock Awards, determine the time when each Award shall be granted, the number of shares subject to each Award, and the date upon which the shares will vest (the Vesting Date).

7.2 Vesting of Restricted Stock Awards.

(a) Subject to the rules of Sections 7.2(b) and 9.1 each Award shall fully vest and be one hundred percent (100%) nonforfeitable on the Vesting Date.

(b) Subject to the rules of Section 9.1, upon termination of a Participant's employment prior to Vesting Date for any reason except for disability or retirement, as described below, or death, his or her Awards shall be forfeited and the Participant shall have no right with respect to such Awards. Upon termination of employment prior to the Vesting Date by reason of the Participant's disability as defined in Section 22(e)(3) of the Code or retirement at age 62 or older under a retirement Plan maintained by the Company or a subsidiary or by reason of death, any Award

granted to such Participant shall be vested and nonforfeitable to the extent of one hundred percent. Vesting for participants who retire prior to age 62 shall be as determined by the Committee.

7.3 Payment of Awards.

(a) As soon as practicable after an Award has become vested in accordance with Section 7.2, such vested Award shall be paid to the Participant or, in the case of the death of the Participant, his or her designated beneficiary or beneficiaries or, in the absence of a designated beneficiary, to the estate of the Participant.

(b) In addition to the payment provided for in Section 7.3(a), prior to Vesting Date, each Participant shall receive a cash payment equal to the amount of dividends which would have been paid on the number of shares awarded had such shares been issued as shares of Common Stock on the date of grant of such Award. This payment shall be made on or about the date such dividends would have been paid.

(c) Payments pursuant to Section 7.3(a) shall be made in either shares of Common Stock or cash as determined by the Committee provided, however, that the Participant or his or her beneficiary may request that the Committee approve a payment composed of a different ratio of cash and shares of Common Stock. Payment in cash pursuant to this paragraph shall be made in the amount which is equal to the closing price of a share of Common Stock on the New York Stock Exchange Composite Tape for the trading day preceding the day on which payment is to be made, multiplied by the number of shares of the Award which are to be paid in cash.

ARTICLE VIII
PERFORMANCE UNIT AWARDS

8.1 In addition to granting Options, Stock Appreciation Rights and Restricted Stock Awards, the Committee shall have authority to grant to eligible employees Performance Unit Awards which can be in the form of Common Stock or units, the value of which is based on whole or in part, on the value of Common Stock. Subject to the provisions of the Plan including Section 8.2 below, Performance Unit Awards shall be subject to such terms, restrictions, conditions, vesting requirements and payment rules (all of which are sometimes hereinafter collectively referred to as "rules") as the Committee may determine in its sole discretion, all such rules applicable to a particular Performance Unit Award to be reflected in writing and furnished to the employee at the time of grant. The rules need not be identical for each Performance Unit Award.

8.2 Rules. In the sole discretion of the Committee a Performance Unit Award shall be granted subject to the following rules:

(a) Any shares of Common Stock which are part of a Performance Unit Award may not be assigned, sold, transferred, pledged or otherwise encumbered prior to the date on which the shares are issued or, if later, the date provided by the Committee at the time of the Award.

(b) Performance Unit Awards may provide for the payment of cash consideration by the person to whom such Award is granted or provide that the Award and Common Stock be issued in connection therewith, if applicable, shall be delivered without the payment of cash consideration, provided that for any Common Stock to be purchased in connection with a Performance Unit Award the purchase price shall be at least fifty percent of the fair market value of such Common Stock on the date such Award is granted.

(c) Performance Unit Awards may relate in whole or in part to certain performance criteria established by the Committee at the time of grant.

(d) Performance Unit Awards may provide for deferred payment schedules, vesting over a specified period of employment, the payment (on a current or deferred basis) of dividend equivalent amounts, with respect to the number of shares of Common Stock covered by the Award, and elections by the employee to defer payment of the Award or the lifting of restrictions on the Award, if any.

(e) In such circumstances as the Committee may deem advisable, the Committee may waive or otherwise remove, in whole or in part, any restrictions or limitation to which a Performance Unit Award was made subject to the time of grant.

ARTICLE IX
GENERAL PROVISIONS

9.1 Change in Control.

(a) (i) In the case of a Change in Control (as defined below) of the Corporation, each Option and Stock Appreciation Right then outstanding shall immediately become exercisable in full.

(ii) In the case of a Change in Control (as defined below) of the Corporation, each Award shall immediately be fully vested and nonforfeitable and shall be paid within 20 days thereafter at no less than one hundred (100) percent of the standard or target award amount or, if greater, the actual award amount as extrapolated in the determination of the Committee (as so constituted immediately prior to the Change in Control of the Corporation), utilizing in each case the Change in Control Price (as defined below) as the value per share of Common Stock.

(b) A change in Control shall mean (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (a "Person") of beneficial ownership (within the meaning of Rule 13(d)-3 promulgated under the Exchange Act) of twenty (20) percent or more of either (1) the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Corporation (excluding an acquisition by virtue of the exercise of a conversion privilege), (2) any acquisition by the Corporation, (3) any acquisition by any employee benefit Plan (or related trust) sponsored or maintained by the Corporation or any corporation controlled by the Corporation or (4) any acquisition by any

corporation pursuant to a reorganization, merger or consolidation, if, following such reorganization, merger or consolidation, the conditions described in clauses (1),(2) and (3) of subparagraph (iii) of this Section 9.1(b) are satisfied; or (ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least a majority of the directors than comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14(a)-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the

Board; or (iii) approval by the shareholders of the Corporation of a reorganization, merger or consolidation, in each case, unless, following such reorganization, merger or consolidation, (1) more than sixty (60) percent of, respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entitled who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such reorganization, merger or consolidation in substantially immediately prior to such reorganization, merger or consolidation in substantially the same proportions as their ownership, immediately prior to such reorganization, merger or consolidation, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be, (2) no Person (excluding the Corporation, any employee benefit Plan (or related trust) of the Corporation or such corporation resulting from such

reorganization, merger or consolidation and any Person beneficially owning, immediately prior to such reorganization, merger or consolidation, directly or indirectly, twenty (20) percent or more of the Outstanding Corporation Common Stock or Outstanding Voting Securities, as the case may be) beneficially owns, directly or indirectly, twenty (20) percent or more of respectively, the then outstanding shares of common stock of the corporation resulting from such reorganization, merger or consolidation or the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (3) at least a majority of the members of the board of directors of the corporation resulting from such reorganization, merger or consolidation were members of the Incumbent Board at the time of the execution of the initial agreement providing for such reorganization, merger or consolidation; or (iv) approval by the shareholders of the Corporation of (1) a complete liquidation or dissolution of the Corporation or (2) the sale or other disposition of all or substantially all of the assets of the Corporation, other than a corporation, with respect to which following such sale or other disposition, (A) more than sixty (60) percent of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be, (B) no Person (excluding the Corporation and any employee benefit Plan (or related trust) of the Corporation or such corporation any person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, twenty (20) percent or more of the Outstanding Corporation Common Stock or Outstanding Corporation Voting

Securities,as the case may be) beneficially owns, directly or indirectly, twenty (20) percent or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement or action of the Board providing for such sale or other disposition of assets of the Corporation.

9.2 Designation of Beneficiary. Each employee who shall be granted an Award under the Plan may designate a beneficiary or beneficiaries and may change such designation from time to time by filing a written designation of beneficiaries with the Committee on a form to be prescribed by it, provided that no such designations shall be effective unless so filled prior to the death of such employee.

9.3 No Right of Continued Employment. Neither the establishment of the Plan, the granting of Options, Stock Appreciation Rights or Awards, or the payment of any benefits hereunder or any action of the Corporation or of the Board of Directors or of the Committee shall be held or construed to confer upon any person any legal right to be continued in the employ of the Corporation or its direct or indirect subsidiaries, each of which expressly reserves the right to discharge any employee whenever the interest of any such company in its sole discretion may so require without liability to such company, the Board of Directors or the Committee except as to any rights which may be expressly conferred upon such employee under the Plan.

9.4 No Segregation of Cash or Shares. The Corporation shall not be required to segregate any cash or any shares of Common Stock which may at any time be represented by Options, Awards, or amounts and the Plan shall constitute an "unfunded" Plan of the Corporation. No employee shall have voting or other rights with respect to such shares of Common Stock prior to the delivery of such shares. The Corporation shall not, by any provisions of the Plan, be deemed to be a trustee of any Common Stock or any other property and the liabilities of the Corporation to any employee pursuant to the Plan shall be those of a debtor pursuant to such contract obligations as are created by or pursuant to the Plan, and

the rights of any employee, former employee or beneficiary under the Plan shall be limited to those of a general creditor of the Corporation. In its sole discretion, the Board of Directors may authorize the creation of trusts or other arrangements to meet the obligations of the Corporation and each other Participating Company under the Plan provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

9.5 Delivery of Shares. No shares shall be delivered pursuant to any exercise of an Option, Stock Appreciation Right or pursuant to the payment of any Award unless the requirements of such laws and regulations as may be deemed by the Committee to be applicable thereto are satisfied.

9.6 Option Cancellation Payment. Notwithstanding any other provision of this Plan and the terms of any agreement under which the Committee has granted an Option or Award under this Plan, during the 60 day period from and after a Change of Control (as defined in Section 9.1) (the "Exercise Period"), in the case of all Options, an optionee shall have the right, in lieu of the payment of the exercise price of the shares of stock being purchased under the Option and by giving notice to the Corporation, to elect (within the Exercise Period) in lieu of exercise thereof to surrender all or part of the Option to the Corporation and to receive in cash, within 30 days of such notice, an amount in cancellation of the Option (the "Cancellation Payment") equal to the amount by which the Change in Control Price (as defined below) per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Option multiplied by the number of shares of Common Stock granted under the Option as to which the right granted under this Section 9.6 shall have been exercised; provided, however, that if such Option is held by an officer or director of the Corporation (within the meaning of Section 16 of the Exchange Act) and not more than six months has elapsed from the grant thereof, or the receipt of the Cancellation Payment at the time above-specified would subject the optionee to liability under said Section 16, then the Cancellation Payment shall be made on the first day when no liability to the optionee under said Section 16 would result.

9.7 Transfer and Leave of Absence

(a) A transfer of an employee from a Participating Company to an affiliated company, and

(b) A leave of absence duly authorized in writing by the Participating Company, for military service or sickness, or for any other purpose approved by the Participating Company shall not be deemed a termination of employment.

9.8 Michigan Law to Govern. All questions pertaining to the construction, regulation, validity and effect of the provisions of the Plan shall be determined in accordance with the laws of the State of Michigan.

9.9 Payments and Tax Withholding. The delivery of any shares of Common Stock and the payment of any amount in respect of a Stock Appreciation Right or Award shall be for the account of the applicable Participating Company and any such delivery or payment shall not be made until the recipient shall have made satisfactory arrangements for the payment of any applicable withholding taxes.

9.10 Earlier Plan. The options granted under the Earlier Plan shall continue to be subject to the terms and conditions of the Earlier Plan and shall not be subject to this Plan.

9.11 Compliance with Rule 16(b)-3. It is MCN's intent that, with respect to persons who are subject to Section 16(b) of the Securities Exchange Act of 1934 (the "Act"), the Plan comply in all material respects with the provisions of Rule 16(b)-3 promulgated under the Act, as such rule or a successor rule or rules may be in effect from time to time. If any such Plan provision is found not to be in compliance with Rule 16(b)-3, such provision shall be deemed null and void.

9.12 Change in Control Price. Change in Control Price shall mean the higher of (i) the highest reported sales price, regular way, of a share of Common Stock on the Composite Tape for New York Stock Exchange Listed Stocks or, if such shares of the Corporation are not listed or admitted to trading on the New York Stock Exchange, the highest reported sales price as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such shares of the Corporation are listed or admitted to trading, or if such shares of the Corporation are not listed or admitted to trading on any national securities exchange, the highest quoted price or, if not so quoted, the highest average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers,

Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date such shares of the Corporation are not quoted by any such organization, the highest average of the closing bid and asked prices as furnished by a professional market maker making a market in such shares of the Corporation as selected by the Board of Directors of the Corporation, in each case during the 60-day period prior to and ending on the date of the Change of Control and (ii) if the Change of Control is the result of a transaction or series of transactions described in subparagraphs (i) or (iii) of the definition of Change of Control set forth in Section 9.1, the highest price per share of the Common Stock paid in such transaction or series of transactions (which in the case of paragraph (i) shall be the highest price per share of the Common Stock as reflected in a Schedule 13D by the person having made the acquisition); provided, however, that with respect to any Incentive Stock Option, the Change of Control Price shall not exceed the market price of a share of Common Stock (to the extent required pursuant to Section 422A of the Code) on the date of surrender thereof.

ARTICLE X
AMENDMENT AND TERMINATION

10.1 Amendments, Suspension or Discontinuance. The Board of Directors may amend, suspend or discontinue the Plan provided, however, that except as permitted by Sections 4.1(b), the Board of Directors may not, without the prior approval of the stockholders of the Company, make any amendment which operates:

(a) To abolish the Committee, change the qualification of its members or withdraw the administration of the Plan from the Committee unless otherwise required or directed by law or regulation,

(b) To make any material change in the class of eligible employees as defined in the Plan,

(c) To increase the total number of shares of Common Stock available for Options, Stock Appreciation Rights and Awards granted under the Plan, or

(d) To extend the period during which Options or Awards may be granted

under the Plan, and provided further that upon the occurrence of a Change in Control no amendment may adversely affect the rights of any person in connection with any Option or Award previously granted.

10.2 Limitation. No Option or Award shall be granted under the Plan after March 1, 2005.

ARTICLE XI
MISCELLANEOUS

No director who also serves as an officer of the Corporation shall be eligible to vote on any matter regarding the MCN Corporation Stock Incentive Plan.

IN WITNESS WHEREOF, the undersigned officer of the Company has executed this Plan this 27th day of April, 1995, pursuant to the resolution adopted by the Board of Directors of the Company.

MCN CORPORATION

BY: /s/ Daniel L. Schiffer

Daniel L. Schiffer, Vice President,
General Counsel and Secretary

Dated as of April 27, 1995

Restated April 27, 1995

4.1 (a) is amended to read:

"Subject to adjustment pursuant to Section 4.1(b), the aggregate number of shares of Common Stock with respect to which Options, Stock Appreciation Rights, Awards and Performance Units may be granted under the Plan in any calendar year shall not exceed one percent of the shares of Common Stock outstanding in any year. The one-percent limitation shall be calculated by dividing the aggregate number of shares of Common Stock with respect to which Options, Stock Appreciation Rights, Awards and Performance Units are granted under the Plan in any calendar year by the total number of shares outstanding on the first day during the calendar year on which Options, Stock Appreciation Rights, Awards, and Performance Units are granted. If the number of shares granted with respect to Options, Stock Appreciation Rights, Awards, or Performance Units is not determinable, then the limitation shall be calculated using the largest number of shares expected to be issued. Provided, however, that the number of Shares, Options, Stock Appreciation Rights, Awards, or Performance Units that may issued under this Plan subsequent to February 27, 1995 may not exceed 5% of the number of shares issued and outstanding on that date."

"Shares of Common Stock may be made available from the authorized but unissued shares of the Corporation or from shares reacquired by the Corporation including shares purchased in the open market. If an Option, Restricted Stock Award, or Performance Unit Award granted under the Plan shall expire or terminate for any reason during a calendar year, the shares subject to, but not delivered, under such option or Award shall be available for other options and Awards to the same employee or other employees."

Section 10.2 is deleted in its entirety and new section 10.2 is inserted as follows:

(New 10.2)

10.2 Limitation. No Option or Award shall be granted under the Plan after March 1, 2005.

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