

A CMS Energy Company

212 West Michigan Avenue
Jackson, MI 49201-2277

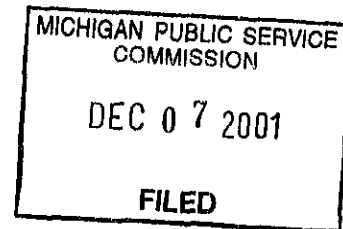
Tel: 517 788 0135
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Dennis DaPra
Senior Vice President
Accounting and
Regulatory Affairs

December 6, 2001

HAND-DELIVERED

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
PO Box 30221
Lansing, MI 48909



Dear Ms. Wideman:

Re: Thirty (30) Day Securitization Report

In accordance with the Commission's October 24, 2000 order in Case U-12505, paragraph T, Consumers Energy is herewith submitting four copies of the Company's Thirty (30) Day Report detailing (1) the total securitized qualified costs; (2) the gross amount of proceeds arising from the sale of Securitization Bonds, Series 2001-1; (3) the estimated use of securitization bond proceeds; (4) the remaining use of securitization bond proceeds; and (5) the precise type and amount of debt or equity, originally held by the Company or its parent company, retired through use of proceeds. The Company is also submitting a copy of the material closing documents arising from the sale of Securitization Bonds, Series 2001-1.

If you have any questions, please call me at (517) 788-0135.

Sincerely,

A handwritten signature in black ink that reads "Dennis DaPra".

Consumers Energy Company
\$468,592,000 Securitization Bonds, Series 2001-1
Total Securitized Qualified Costs

Regulatory Assets

Palisades Capital Cost Net of Depreciation Reserve and ITC Adjustment	\$ 397,709,880
Income Taxes Due from Customers (SFAS 109)	199,409,785
Other Post Employment Benefits (SFAS 106)	84,167,536
DOE Decontamination & Decommissioning	16,073,556
Ludington Settlement	7,715,991
Unamortized Loss on Reacquired Debt	5,180,349
Clean Air Allowances	<u>(1,847,097)</u>

Total Securitized Regulatory Assets	\$ 708,410,000
Tax Effect @ 35%	<u>(247,943,500)</u>
Securitized After-Tax Regulatory Assets	<u>\$ 460,466,500</u>

Up-Front Cost of Issuing Securitization Bonds	\$ 8,500,000
Tax Effect @ 35%	<u>(2,975,000)</u>
Securitized Up-Front Cost of Issuing Securitization Bonds	<u>\$ 5,525,000</u>

Original Issue Discount and Costs of Retiring and Refunding Existing Debt and Equity Securities	\$ 4,000,000
Tax Effect @ 35%	<u>(1,400,000)</u>
Securitized Cost of Retiring and Refunding Securities	<u>\$ 2,600,000</u>

Total Securitized Qualified Costs (Rounded)	<u><u>\$ 468,592,000</u></u>
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Consumers Funding LLC
\$468,592,000 Securitization Bonds, Series 2001-1
Issued November 8, 2001
Gross Amount of Proceeds Arising From Sale of Bonds

	<u>Initial Principal Balance</u>	<u>Percentage of Price</u>	<u>Original Issue Discount</u>	<u>Gross Amount of Proceeds Arising from Sale of Bonds</u>
Class A-1	\$ 26,000,000	99.99590%	\$ 1,066	\$ 25,998,934
Class A-2	84,000,000	99.99182%	6,871	83,993,129
Class A-3	31,000,000	99.95901%	12,707	30,987,293
Class A-4	95,000,000	99.96793%	30,466	94,969,534
Class A-5	117,000,000	99.97673%	27,226	116,972,774
Class A-6	<u>115,592,000</u>	99.98053%	<u>22,506</u>	<u>115,569,494</u>
Total	<u>\$ 468,592,000</u>		<u>\$ 100,842</u>	<u>\$ 468,491,158</u>

Consumers Energy Company
\$468,592,000 Securitization Bonds, Series 2001-1
Estimated Use of Securitization Bond Proceeds

Securitized After-Tax Regulatory Assets	\$ <u>460,466,500</u>
Consumers Energy	
Debt and Preferred (64%)	\$ 296,266,500
Equity (36%)	<u>164,200,000</u>
Total Consumers Energy	\$ <u>460,466,500</u>
CMS Energy	
Debt (100%)	\$ <u>164,200,000</u>
Up-Front Costs of Issuing Securitization Bonds	\$ <u>8,500,000</u>
Original Issue Discount and Costs of Retiring and Refunding Existing Debt and Equity Securities	\$ <u>4,000,000</u>

Consumers Energy Company
\$468,592,000 Securitization Bonds, Series 2001-1
Remaining Use of Securitization Bonds Proceeds
Through November 30, 2001

Consumers Energy Debt and Preferred

Estimate	\$ 296,266,500
Actual through November 30, 2001 - See Note 1.	<u>300,800,000</u>
Amount Remaining	<u><u>\$ (4,533,500)</u></u>

Consumers Energy Equity

Estimate	\$ 164,200,000
Final as of November 30, 2001	<u>164,200,000</u>
Amount Remaining	<u><u>\$ -</u></u>

CMS Energy Debt

Estimate	\$ 164,200,000
Final as of December 3, 2001	<u>164,200,000</u>
Amount Remaining	<u><u>\$ -</u></u>

Up-Front Costs of Issuing Securitization Bonds

Estimate	\$ 8,500,000
Actual through November 30, 2001	<u>5,451,696</u>
Amount Remaining	<u><u>\$ 3,048,304</u></u>

Original Issue Discount and Cost of Retiring and Refunding Existing Debt and Equity Securities

Estimate	\$ 4,000,000
Actual through November 30, 2001	<u>100,842</u>
Amount Remaining	<u><u>\$ 3,899,158</u></u>

Notes on Interim Use of Proceeds

1. Consumers Energy paid down various lines of credit and credit facilities on an interim basis. Final application of the amount of proceeds shown below will be covered in subsequent reports.

<u>Date</u>	<u>Issuer</u>	<u>Description</u>	<u>Amount</u>
11/08/01	Dai-Ichi Kangyo	line of credit	\$ 14,000,000
11/08/01	Dai-Ichi Kangyo	line of credit	11,000,000
11/08/01	Bank of New York	line of credit	55,000,000
11/08/01	Societe General	line of credit	14,300,000
11/08/01	Societe General	line of credit	25,700,000
11/08/01	Comerica	line of credit	23,000,000
11/08/01	Bank One	3-year facility	50,000,000
11/08/01	CIBC	A/R financing	<u>107,800,000</u>
			<u><u>\$ 300,800,000</u></u>

Consumers Energy Company
\$468,592,000 Securitization Bonds, Series 2001-1
CMS Energy Debt Instruments Retired
Through December 3, 2001

<u>Date</u>	<u>Issuer</u>	<u>Description</u>	<u>Rate</u>	<u>Amount</u>
11/09/01	Comerica Bank	line of credit	3.6875%	\$ 22,000,000
11/19/01	Barclay's Bank	3-year facility	4.3125%	75,000,000
11/19/01	Barclay's Bank	1-year facility	4.3125%	20,000,000
12/03/01	Barclay's Bank	1-year facility	<u>3.8750%</u>	<u>47,200,000</u>
			<u>4.0103%</u>	<u>\$164,200,000</u>

Consumers Energy Company
\$468,592,000 Securitization Bonds, Series 2001-1
Initial Other Qualified Costs
Through November 30, 2001

<u>Description</u>	<u>Estimate</u>	<u>Actual through 30-Nov-01</u>
Up-Front Costs of Issuing Securitization Bonds		
Underwriting Discount and Fees	\$ 4,000,000	\$ 3,424,440
Underwriters' Reimbursable Expenses	250,000	50,000
SEC Registration Fee	126,500	117,162
Company Legal Fees	2,500,000	1,417,110
Rating Agency Fees	600,000	-
Auditor's Fees	150,000	127,000
Printing Fees	300,000	-
Trustee Fees/Trustee Counsel Fees	30,000	-
Blue Sky Fees	30,000	-
IRS Private Letter Ruling Request User Fee	5,000	5,000
SPE Organizational Costs	100,000	100,000
Tracking Study	30,000	21,525
Costs of Commission	200,000	187,400
Miscellaneous	178,500	2,059
Total Issuance Costs	<u>\$ 8,500,000</u>	<u>\$ 5,451,696</u>
Original Issue Discount and Costs of Retiring and Refunding Existing Debt and Equity Securities		
Original Issue Discount	\$ 1,200,000	\$ 100,842
Other (Call Premiums on Retired Capital)	2,800,000	-
Total Discount and Other Expenses	<u>\$ 4,000,000</u>	<u>\$ 100,842</u>

CLOSING MEMORANDUM

CONSUMERS FUNDING LLC

\$468,592,000

Securitization Bonds, Series 2001-1

November 8, 2001

11:00 a.m. New York Time

-at-

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036

INTRODUCTION

This memorandum outlines the actions taken in connection with the issuance by Consumers Funding LLC, a Delaware limited liability company (the "Issuer"), of \$468,592,000 in Securitization Bonds, Series 2001-1 (the "Securitization Bonds"). The Securitization Bonds are issued pursuant to an Indenture, dated as of November 8, 2001 ("Indenture"), between the Issuer and The Bank of New York, a New York banking corporation, as trustee (the "Trustee") and pursuant to a 2001-1 Series Supplement (the "Series Supplement") between the Issuer and the Trustee. This memorandum further outlines the actions taken in connection with the offer and sale of the Securitization Bonds in a public offering under the Securities Act of 1933, as amended ("Securities Act"), pursuant to a Prospectus dated October 31, 2001 ("Prospectus"), a Prospectus Supplement dated October 31, 2001 ("Prospectus Supplement") and, together with the Prospectus, the "Final Prospectus") and an Underwriting Agreement dated October 31, 2001 ("Underwriting Agreement") among the Issuer, Consumers Energy Company, an operating electric and gas public utility incorporated under the laws of the State of Michigan ("Consumers") and the underwriters listed in Schedule II of the Underwriting Agreement (collectively, the "Underwriters") for which Morgan Stanley & Co. Incorporated is the Representative (in such capacity the "Representative"). The transaction contemplated by the foregoing is referred to herein as the "Transaction".

DEFINITIONS

Capitalized terms used and not otherwise defined herein have the meanings set forth in the Indenture. As used herein, the following terms have the meanings indicated:

"ASCC" means Asset Securitization Cooperative Corporation, a California cooperative corporation.

"Andersen" means Arthur Andersen LLP, the Independent Accountants to the Issuer.

"CIBC" means Canadian Imperial Bank of Commerce, a banking institution chartered under the Bank Act of Canada.

"Closing Date" means November 8, 2001.

"Emmet" means Emmet Marvin and Martin, LLP.

"Loomis" means Loomis, Ewert, Parsley Davis and Gotting, PC.

"Miller, Canfield" means Miller, Canfield Paddock & Stone P.L.C.

"Orrick" means Orrick, Herrington & Sutcliffe LLP.

"Preliminary Prospectus" means the Issuer's Preliminary Prospectus, dated October 23, 2001.

"Registration Statement" means a shelf registration filed by the Issuer pursuant to the Securities Act on Form S-3 (Registration No. 333-47938) for the issuance of the Securitization Bonds, as such shelf registration may be amended, and all exhibits thereto.

"SASM&F" means Skadden, Arps, Slate, Meagher & Flom LLP.

"Stradley" means Stradley Ronon Stevens & Young LLP

I.

ACTIONS TAKEN PRIOR TO THE CLOSING DATE

A. Proceedings of the MPSC

Prior to the issuance and sale of the Securitization Bonds, the MPSC took the following actions:

1. On October 24, 2000, the MPSC issued an Opinion and Order (the "October 24 Order").

2. On January 4, 2001, the MPSC issued an Opinion and Order granting Consumers' petition for rehearing and clarification in part and denied in part the October 24, 2000 Order (the "January 14 Order" and together with the October 24 Order, the "Financing Order").

B. Corporate Proceedings - The Issuer

Prior to the issuance and sale of the Securitization Bonds, the Issuer took the following actions:

1. On October 11, 2000, a Certificate of Formation was filed with the Delaware Secretary of State's Office (the "Certificate of Formation").

2. On November 6, 2001, an Amended and Restated Certificate of Formation was filed with the Delaware Secretary of State's Office (the "Amended Certificate of Formation").

3. On October 11, 2000, Consumers executed a limited liability company agreement (the "LLC Agreement").

4. On November 8, 2001, the Issuer, Consumers and each Manager, including the Independent Managers, executed an amended and restated limited liability company agreement (the "Amended LLC Agreement").

5. On November 5, 2001, the Managers executed a Unanimous Written Consent of Managers In Lieu of Meeting (the "Unanimous Written Consents of the Managers") in which they authorized all action on the part of the Issuer necessary to complete the Transaction.

C. Corporate Proceedings - Consumers

Prior to the issuance and sale of the Securitization Bonds, Consumers took the following actions:

1. At a meeting of the Board of Directors on December 1, 2000, the Board of Directors of Consumers adopted resolutions relating to the Transaction.

D. Sale of the Securitization Property

1. On November 8, 2001, Consumers and the Issuer executed the Sale Agreement and the Bill of Sale pursuant to which the Securitization Property was transferred by Consumers to the Issuer.

E. Public Offering of the Securitization Bonds

1. On October 13, 2000, the Issuer filed the Registration Statement.

2. On January 22, 2001, the Issuer filed an Amendment Number 1 to the Registration Statement (the "Amendment #1").
3. On February 16, 2001, the Issuer filed an Amendment Number 2 to the Registration Statement (the "Amendment #2").
4. On September 17, 2001, the Issuer filed an Amendment Number 3 to the Registration Statement (the "Amendment #3").
5. On October 18, 2001, the Issuer filed an Amendment Number 4 to the Registration Statement (the "Amendment #4").
6. On October 23, 2001, the Issuer printed the Preliminary Prospectus.
7. On October 23, 2001, the Issuer filed the Preliminary Prospectus with the SEC pursuant to Rule 424(a).
8. On October 24, 2001, at 9:00AM, the Securities and Exchange Commission declared the Issuer's Registration Statement effective.
9. On October 31, 2001, the Issuer, Consumers and the Representative, the latter for itself and for the other Underwriters, executed the Underwriting Agreement.
10. On October 23, 2001, the Representative delivered a Blue Sky Memorandum and a Supplemental Blue Sky Memorandum with respect to the public offering of the Securitization Bonds.
11. On October 31, 2001, the Issuer printed the Final Prospectus.

F. Closing Preliminaries

1. On or before the Closing Date, the Issuer delivered to the Representative copies of the Final Prospectus and all amendments and supplements (including exhibits) thereto.

II.

THE CLOSING

The Closing was held at the offices of Skadden, Arps, Slate, Meagher & Flom LLP, Four Times Square at 11:00 a.m., Eastern Standard Time on November 8, 2001.

At the Closing, all deliveries and all transactions were deemed to have taken place simultaneously as part of a single transaction; no delivery or payment was considered to have been made until all such transactions had been completed.

The documents delivered at the Closing are listed below.*Documents were dated the Closing Date unless otherwise specified or indicated by the context. The closing documents were made available to each of the following parties: (a) the Issuer, (b) Consumers, (c) the Representative, (d) the Trustee, (e) SASM&F, (f) Orrick, (h) Stradley, (i) Emmet; (j) Miller Canfield and (k) Loomis. One set of Closing Documents will be delivered to each of the parties listed in the previous sentence.

A. Execution and Delivery of the Indenture

1. As of November 8, 2001 the Issuer and the Trustee executed the Indenture and the Series Supplement for delivery on the Closing Date.

B. The Issuer Delivered to Representative and the Other Parties:

1. The Certificate of Formation, the Amended Certificate of Formation, the LLC Agreement, the Amended LLC Agreement and the resolutions referred to in Section I.B.5. above.

2. Letter from each Rating Agency concerning the rating of the Securitization Bonds as of the Closing Date.

3. A certificate of good standing from the State of Delaware, as well as a bring down certificate.

4. A certificate of foreign qualification from the State of Michigan, as well as a bring down certificate.

5. A Manager's Certificate, required by §3(h) of the Underwriting Agreement.

6. An Issuer's Officers Certificate, required by §2.10(b)(iv)(A) of the Indenture.

7. The Financing Order.

C. Consumers Delivered to the Representative and the Other Parties:

1. Its Articles of Incorporation, its Bylaws and the resolutions referred to in Section I.C.1., above.

2. Copies of the MPSC proceedings referred in Sections I.A.1. and I.A.2. above.

3. A certificate of good standing from the State of Michigan, as well as a bring down certificate.

4. An Officer's Certificate, required by §3(i) of the Underwriting Agreement.

5. An Officer's Certificate, required by §2.10(b)(iv)(B) of the Indenture.

*All documents related to the Closing are available for review upon request. All material Closing documents have been submitted to the Michigan Public Service Commission accompanying Consumers Energy's December 7, 2001 Thirty Day Report.

D. SASM&F, in its capacity as special counsel to the Issuer, delivered to the Representative and to the Other Parties:

1. Opinion of SASM&F pursuant to Sections 3(c)(xxx) and 3(c)(xxxi) of the Underwriting Agreement, relating to federal constitutional issues.
2. Opinion of SASM&F pursuant to Section 3(k)(A) of the Underwriting Agreement, relating to true sale matters under federal bankruptcy law (which is supported by certificates of the Issuer and of Consumers).
3. Opinion of SASM&F pursuant to Section 3(k)(A) of the Underwriting Agreement, relating to non-consolidation matters under federal bankruptcy law (which is supported by certificates of the Issuer and of Consumers).
4. Opinion of SASM&F pursuant to Section 3(d) of the Underwriting Agreement relating to LLC enforceability issues under Delaware law.
5. Opinion of SASM&F pursuant to Section 3(d) of the Underwriting Agreement relating to UCC issues under Delaware law
6. Opinion of SASM&F pursuant to Section 3(e) of the Underwriting Agreement relating to LLC enforceability issues under federal bankruptcy law.
7. Opinion of SASM&F pursuant to Section 3(d) of the Underwriting Agreement relating to the authority to file for voluntary bankruptcy under federal bankruptcy law.
8. Opinion of SASM&F pursuant to Sections 3(c)(i), 3(c)(ii), 3(c)(iii), 3(c)(iv), 3(c)(vi), 3(c)(vii), 3(c)(viii) and 3(c)(ix) of the Underwriting Agreement relating to corporate matters of the Issuer.
9. Opinion of SASM&F pursuant to Sections 3(c)(xi) and 3(c)(xii) of the Underwriting Agreement relating to 10b-5 and fair summary matters (delivered only to the Representative, Consumers and the Issuer) .
10. Opinion of SASM&F pursuant to Section 3(c)(xxxiii) of the Underwriting Agreement relating to material federal tax matters.
11. Copies of UCC financing statements relating to the transfer of Securitization Property from Consumers to the Issuer.
12. Copies of UCC financing statements relating to the pledge of Securitization Property from the Issuer to the Trustee.

E. Miller Canfield, in its capacity as counsel for Consumers and the Issuer delivered to the Representative and to the Other Parties:

1. Opinion of Miller, Canfield, pursuant to Sections 3(c)(xxx) and 3(c)(xxxi) of the Underwriting Agreement, relating to State of Michigan constitutional issues.
2. Opinion of Miller, Canfield pursuant to Section 3(k)(B) of the Underwriting Agreement, relating to true sale matters under the Customer Choice Act.
3. Opinion of Miller, Canfield pursuant to Section 3(c)(xxxiii) of the Underwriting Agreement relating to material State of Michigan tax matters.
4. Opinion of Miller, Canfield pursuant to Section 3(c)(xii) of the Underwriting Agreement relating to 10b-5/ fair summary matters.
5. Opinion of Miller, Canfield pursuant to Sections 3(c)(xxvi), 3(c)(xxvii), and 3(c)(xxix) of the Underwriting Agreement relating to material State of Michigan security interest matters.
6. Opinion of Miller, Canfield pursuant to Section 3(c)(xv), of the Underwriting Agreement relating to enforceability of Customer Choice Act.
7. Opinion of Miller, Canfield pursuant to Section 3(c), of the Underwriting Agreement relating to Consumers enforceability matters.

F. Loomis, in its capacity as counsel for Consumers and the Issuer delivered to the Representative and to the Other Parties:

1. Opinion of Loomis pursuant to Section 3(c) of the Underwriting Agreement regarding State of Michigan regulatory matters.

G. CIBC delivered to the Representative, Consumers, the Issuer and to the Other Parties:

1. The Receivables Sale Agreement, dated as of December 20, 1996, as amended, restated, supplemented or otherwise modified from time to time, between Consumers, as Seller and as Collection Agent, and CIBC, as Purchaser and as Servicing Agent.
2. The Receivables Sale Agreement, dated as of December 20, 1996, as amended, restated, supplemented or otherwise modified from time to time, among Consumers, as Seller and as Collection Agent, ASCC, as Purchaser, and CIBC, as Servicing Agent.
3. Copies of Delaware UCC-3 Financing Statements indicating releases by CIBC Oppenheimer.

H. Consumers delivered to the Representative and to the Other Parties:

1. Opinion of David A Mikelonis, Senior Vice President and General Counsel of Consumers, pursuant to Section 3(b) of the Underwriting Agreement.

I. Orrick, in its capacity as counsel to the Representative, delivered to the Representative:

1. Opinion of Orrick, pursuant to Section 3(g) of the Underwriting Agreement.

J. Andersen delivered to the Representative, Consumers, the Issuer and to the Other Parties:

1. Agreed Upon Procedures Letter for the Preliminary Prospectus, pursuant to Section 3(j) of the Underwriting Agreement, dated October 29, 2001.

2. Agreed Upon Procedures Letter for the Final Prospectus, pursuant to Section 3(j) of the Underwriting Agreement, dated November 8, 2001.

K. Delivered by the Issuer with respect to the Securitization Bonds:

1. An Issuer's Officer's Certificate pursuant to § 2.10(b)(iv)(A) of the Indenture.

2. Order of the Issuer pursuant to § 2.10(b)(i) of the Indenture directing the Trustee to execute, authenticate and deliver the Securitization Bonds.

I. Delivered by the Representative and the Issuer in Respect of the Securitization Bonds:

1. The Representative paid for the account of the Issuer, by wire transfer of same day funds, \$465,066,718 to an account of Consumers pursuant to the Payment Instructions, referred to in Section J.20 below.

2. The Issuer delivered to the Trustee, as nominee for DTC, on behalf of the Representative, the Securitization Bonds in the principal amount of \$468,592,000.

J. The Issuer Made Available for Review the Following Executed Documents:

1. The Final Prospectus

2. The Certificate of Formation

3. The Amended Certificate of Formation

4. The LLC Agreement

5. The Amended LLC Agreement
6. Unanimous Written Consents of the Managers
7. The Sale Agreement
8. The Bill of Sale
9. The Servicing Agreement
10. The Indenture
11. The Series Supplement
12. The Class A-1 Securitization Bonds
13. The Class A-2 Securitization Bonds
14. The Class A-3 Securitization Bonds
15. The Class A-4 Securitization Bonds
16. The Class A-5 Securitization Bonds
17. The Class A-6 Securitization Bonds
18. The Underwriting Agreement
19. The Administration Agreement
20. The Securities Account Control Agreement
21. The Intercreditor Agreement
22. The Cross Receipt for the Sale of the Securitization Property
23. The Cross Receipt for the Sale of the Securitization Bonds and related Payment Instructions
24. The Registration Statement filed on Form S-3 on October 13, 2000
25. Amendment Number 1
26. Amendment Number 2

- 27. Amendment Number 3
 - 28. Amendment Number 4
 - 29. Report on Form 8-K, dated October 26, 2001 with computational materials attached
 - 30. Report on Form 8-K, dated October 31, 2001 with computational materials attached
 - 31. Report on Form 8-K, dated November 15, 2001, with the executed copies of all agreements which were exhibits to the Registration Statement
- K. Consumers Made Available for Review the Following Executed Documents:
- 1. Its Articles of Incorporation
 - 2. Its Bylaws
 - 3. The Resolutions of its Board of Directors
- L. Delivered by the Trustee:
- 1. Opinion of Stradley, counsel to the Trustee, pursuant to Section 3(f) of the Underwriting Agreement
 - 2. Opinion of Emmet, local counsel to the Trustee, pursuant to Section 3(f) of the Underwriting Agreement
 - 3. Certificate of Incumbency for the Trustee

The Closing was then declared complete.

SALE AGREEMENT

between

CONSUMERS FUNDING LLC
Issuer

and

CONSUMERS ENERGY COMPANY
Seller

Dated as of November 8, 2001

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APPENDIX A - Master Definitions

SALE AGREEMENT, dated as of November 8, 2001, by and between CONSUMERS FUNDING LLC, a Delaware limited liability company, as issuer (the "Issuer"), and CONSUMERS ENERGY COMPANY, a Michigan corporation, as seller hereunder (in such capacity, the "Seller").

W I T N E S S E T H:

WHEREAS the Issuer desires to purchase from time to time Securitization Property created pursuant to the Customer Choice Act and the Financing Order;

WHEREAS the Seller is willing to sell Securitization Property to the Issuer;

WHEREAS the Issuer, in order to finance the purchase of the Transferred Securitization Property, will from time to time issue Securitization Bonds under the Indenture; and

WHEREAS the Issuer, to secure its obligations under the Securitization Bonds and the Indenture, will pledge its right, title and interest in, to and under the Transferred Securitization Property to the Trustee for the benefit of the Securitization Bondholders.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01 Definitions. Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in Appendix A hereto.

SECTION 1.02 Other Definitional Provisions.

(a) "Agreement" means this Sale Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

(b) Non-capitalized terms used herein which are defined in the Customer Choice Act, as the context requires, have the meanings assigned to such terms in the Customer Choice Act, but without giving effect to amendments to the Customer Choice Act after the date hereof which have a material adverse effect on the Issuer or the Securitization Bondholders.

(c) All terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(d) The words "hereof", "herein", "hereunder" and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement; Section, Schedule and Exhibit references contained in this Agreement are references to Sections, Schedules and Exhibits in or to this Agreement unless otherwise specified; and the term "including" means "including without limitation".

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

ARTICLE II

Conveyance of Transferred Securitization Property

SECTION 2.01 Conveyance of Initial Transferred Securitization Property.

(a) In consideration of the Issuer's payment to or upon the order of the Seller of \$468,592,000 (the "Initial Purchase Price") by wire transfer of funds immediately available on the date hereof to Seller's account no. 113-10 at Bank One, Detroit Michigan, routing transit # 0720 0032 6, subject to the conditions specified in Section 2.02, the Seller does hereby irrevocably sell, transfer, assign and otherwise convey to the Issuer, without recourse (subject to the obligations of the Seller herein), all right, title and interest of the Seller in, to and under the Initial Transferred Securitization Property as confirmed by the Bill of Sale delivered pursuant to Section 2.02(a) on or prior to the Initial Transfer Date (such sale, transfer, assignment and conveyance of the Initial Transferred Securitization Property to include, to the fullest extent permitted by Michigan law, the assignment of all revenues, collections, payments, money and proceeds arising out of the Securitization Charges and the other rights and interests constituting the Initial Transferred Securitization Property, as the same may be adjusted from time to time). Such sale, transfer, assignment and conveyance of the Initial Transferred Securitization Property is hereby expressly stated to be a sale or other absolute transfer and, pursuant to Section 10 $\frac{1}{2}$ of the Customer Choice Act, constitutes a true sale and not a secured transaction and that title, legal and equitable, to the Initial Transferred Securitization Property has passed to the Issuer. The preceding sentence is the statement referred to in Section 10 $\frac{1}{2}$ of the Customer Choice Act. The Seller agrees and confirms that, upon the execution and delivery of this Agreement and the related Bill of Sale and payment of the Initial Purchase Price, title, legal and equitable, to the Initial Transferred Securitization Property shall pass to the Issuer and the Seller shall have no right, title or interest in, to or under the Initial Transferred Securitization Property.

(b) Subject to the conditions specified in Section 2.02, the Issuer does hereby purchase the Initial Transferred Securitization Property from the Seller for the consideration set forth in paragraph (a) above.

(c) The Seller and the Issuer each acknowledge and agree that the purchase price for the Initial Transferred Securitization Property sold pursuant to this Agreement is equal to its fair market value at the time of sale.

(d) The Seller and the Issuer further agree that from time to time the Seller may offer to sell, and the Issuer may purchase, Subsequent Transferred Securitization Property as of Subsequent Transfer Dates, subject to the conditions specified in Section 2.02, in exchange for consideration to be agreed upon (the "Subsequent Purchase Price"). The Seller and the Issuer hereby agree that each such sale, transfer, assignment and conveyance of any Subsequent Transferred Securitization Property shall include, to the fullest extent permitted by Michigan law, the assignment of all revenues, collections, payments, money and proceeds of or arising out of the Securitization Charges and the other rights and interests constituting the Subsequent Transferred Securitization Property, as the same may be adjusted from time to time. Such sale, transfer, assignment and conveyance of the Subsequent Transferred Securitization Property is hereby expressly stated to be a sale or other absolute transfer and, pursuant to Section 107. of the Customer Choice Act, shall constitute a true sale and not a secured transaction and that title, legal and equitable, to the Subsequent Transferred Securitization Property has passed to the Issuer. The preceding sentence is the statement referred to in Section 107. of the Customer Choice Act. The Seller agrees and confirms that, after giving effect to any sale contemplated by this paragraph (d), the execution and delivery of the related Bill of Sale and payment of the Subsequent Purchase Price, title, legal and equitable, to the Subsequent Transferred Securitization Property shall pass to the Issuer and the Seller shall have no right, title or interest in, to or under the Subsequent Transferred Securitization Property.

(e) Notwithstanding the foregoing, in the event that any sale, transfer, assignment and conveyance of any Transferred Securitization Property is determined by a court of competent jurisdiction not to be a true and absolute sale as contemplated by the parties hereto and the Customer Choice Act, then such sale, transfer, assignment and conveyance shall be treated as a pledge of such Transferred Securitization Property and the Seller shall be deemed to have granted, and does hereby grant, as of the date hereof, a security interest to the Issuer in such Transferred Securitization Property to secure a payment obligation incurred by the Seller in the amount paid by the Issuer for such Transferred Securitization Property, plus interest.

SECTION 2.02 Conditions to Conveyance of Securitization Property. The sale by the Seller to the Issuer, and the purchase by the Issuer from the Seller, of Securitization Property upon any Transfer Date shall be subject to and conditioned upon the satisfaction or waiver of each of the following conditions:

(a) on or prior to the Transfer Date, the Seller shall deliver to the Issuer a duly executed Bill of Sale identifying the Securitization Property to be conveyed as of that date, substantially in the form of Exhibit A hereto;

(b) as of the Transfer Date, no breach by the Seller of its representations, warranties or covenants in this Agreement shall exist and the Seller shall have delivered to the Issuer and the Trustee an Officers' Certificate to such effect and no Servicer Default shall have occurred and be continuing;

(c) on the Transfer Date:

(i) the Issuer shall have sufficient funds available to pay the purchase price for the Transferred Securitization Property to be conveyed on such date, and

(ii) all conditions set forth in the Indenture to the issuance of one or more Series of Securitization Bonds intended to provide such funds shall have been satisfied or waived;

(d) on or prior to the Transfer Date, the Seller shall have taken all actions required under applicable law, including under the Customer Choice Act and other applicable law, to transfer to the Issuer ownership of the Transferred Securitization Property to be conveyed on such date, free and clear of all Liens other than Liens created by the Issuer pursuant to the Indenture, and the Issuer shall have taken all actions required for the Issuer to grant the Trustee a first priority perfected security interest in the Collateral, in each case including, without limitation, filings under the Michigan UCC and the Delaware UCC;

(e) in the case of any sale of Subsequent Transferred Securitization Property only, the Seller shall have provided the Issuer and each Rating Agency with a notice specifying the Subsequent Transfer Date for the Subsequent Transferred Securitization Property not later than 10 days prior to the Subsequent Transfer Date;

(f) the Seller shall have delivered to each Rating Agency and to the Issuer:

(i) an Opinion of Counsel to the Seller with respect to the transfer of the Transferred Securitization Property then being conveyed to the Issuer substantially in the form of Exhibit B hereto, and

(ii) an Opinion of Counsel to the Seller, substantially in the form of Exhibit C hereto;

(g) the Seller shall have delivered to the Trustee and the Issuer an Officers' Certificate confirming the satisfaction of each condition precedent specified in this Section 2.02;

(h) with respect to any Subsequent Sale, the Seller shall have received written notice from each Rating Agency that such Subsequent Sale will not result in a reduction or withdrawal of the then current rating by such Rating Agency of any Outstanding Series or Class of Securitization Bonds; and

(i) the Seller shall have received the Initial Purchase Price or the Subsequent Purchase Price, as applicable, in funds immediately available on the applicable Transfer Date.

ARTICLE III

Representations and Warranties of Seller

As of the Transfer Date, the Seller makes the following representations and warranties on which the Issuer has relied and will rely in acquiring Transferred Securitization Property. The following representations and warranties are made under existing law as in effect as of the Transfer Date. The Seller shall not be in breach of any representation or warranty herein as a result of a change in law occurring after the Transfer Date. The representations and warranties shall survive the sale of Transferred Securitization Property to the Issuer and the pledge thereof to the Trustee pursuant to the Indenture.

SECTION 3.01 Organization and Good Standing. The Seller is a corporation duly organized and in good standing under the laws of the State of Michigan, with corporate power and authority to own its properties and conduct its business as currently owned or conducted.

SECTION 3.02 Due Qualification. The Seller is duly qualified to do business as a foreign corporation in good standing, and has obtained all necessary licenses and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business requires such qualifications, licenses or approvals (except where the failure to so qualify would not be reasonably likely to have a material adverse effect on the Seller's business, operations, assets, revenues, properties or prospects, the Securitization Property, the Issuer or the Securitization Bonds).

SECTION 3.03 Power and Authority. The Seller has the corporate power and authority to execute and deliver this Agreement and to carry out its terms; the Seller has full corporate power and authority to own the Securitization Property and sell and assign the Transferred Securitization Property to the Issuer, and the Seller has duly authorized such sale and assignment to the Issuer by all necessary corporate action; and the execution, delivery and performance of this Agreement has been duly authorized by the Seller by all necessary corporate action.

SECTION 3.04 Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms subject to bankruptcy, receivership, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 3.05 No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the articles of incorporation or by-laws of the Seller, or any indenture, agreement or other instrument to which the Seller is a party or by which it is bound; nor result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any applicable indenture, agreement or other instrument (except as set forth in Section 2.01(e) hereof and any bills of sale for Securitization Property); nor violate any law or any order, rule or regulation applicable to the Seller of any court or of any Federal or State regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller or its properties.

SECTION 3.06 No Proceedings. Except as disclosed in writing by the Seller to the Issuer, there are no proceedings or investigations pending or, to the Seller's best knowledge, threatened, before any court, Federal or State regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller or the Issuer or their respective properties:

- (a) asserting the invalidity of the Basic Documents, the Securitization Bonds, the Customer Choice Act or the Financing Order;
- (b) seeking to prevent the issuance of the Securitization Bonds or the consummation of any of the transactions contemplated by the Basic Documents or the Securitization Bonds;
- (c) challenging the Seller's treatment of the Securitization Bonds as debt of the Seller for Federal and State income, gross receipts or franchise tax purposes; or
- (d) seeking any determination or ruling that could reasonably be expected to materially and adversely affect the performance by the Seller of its obligations under, or the validity or enforceability of, the Basic Documents or the Securitization Bonds.

SECTION 3.07 Approvals. Except for the filing of financing statements and continuation statements under the Michigan UCC and the Delaware UCC, no approval, authorization, consent, order or other action of, or filing with, any court, Federal or State regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Seller of this Agreement, the performance by the Seller of the

transactions contemplated hereby, the fulfillment by the Seller of the terms hereof or the creation or transfer of the Transferred Securitization Property, except those that have been obtained or made.

SECTION 3.08 The Transferred Securitization Property.

(a) *Information.* All information provided by the Seller to the Issuer with respect to the Transferred Securitization Property is correct in all material respects.

(b) *Effect of Transfer.* Each sale, transfer, assignment and conveyance herein contemplated constitutes a sale or other absolute transfer, of all right, title and interest of the Seller in, to and under the Transferred Securitization Property from the Seller to the Issuer; upon execution and delivery of this Agreement and the related Bill of Sale, the Seller will have no right, title or interest in, to or under the Transferred Securitization Property; and the Transferred Securitization Property and the proceeds thereof would not be part of the estate of the Seller as debtor in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law.

(c) *Transfer Filings.* The Seller is the sole owner of the Transferred Securitization Property sold to the Issuer on the Transfer Date; and the Transferred Securitization Property will have been validly sold, assigned, transferred and conveyed to the Issuer free and clear of all Liens other than Liens created by the Issuer pursuant to the Indenture. All actions or filings, including filings under either the Michigan UCC or the Delaware UCC, necessary in any jurisdiction to give the Issuer a valid first priority perfected ownership interest in the Transferred Securitization Property and to grant to the Trustee a first priority perfected security interest in the Transferred Securitization Property, free and clear of all Liens of the Seller or anyone else claiming through the Seller, have been taken or made.

(d) *Financing Order Irrevocable; Process Valid; No Litigation; Etc.*

(i) The Financing Order has been issued by the MPSC in accordance with the Customer Choice Act, and the Financing Order and the process by which it was issued comply with all applicable laws, rules and regulations. The Financing Order has become effective pursuant to the Customer Choice Act and is and as of the date of issuance of any Securitization Bonds will be in full force and effect and final and non-appealable.

(ii) As of the Series Issuance Date, the Securitization Bonds of the related Series will be entitled to the protections provided by the Customer Choice Act and, in accordance with the Customer Choice Act, the Financing Order and the Securitization Charge authorized therein, subject to the periodic adjustments to the Securitization Charge provided for in the Financing Order, have become irrevocable.

(iii) (A) Under the Customer Choice Act, the State of Michigan may not take or permit any action that would impair the value of the Transferred Securitization Property or reduce or alter, except as allowed under Section 10k(3) of the Customer Choice Act, or impair the Securitization Charges to be imposed, collected and remitted to the Issuer, until the principal, interest and premium and any other charges incurred and contracts to be performed in connection with the Securitization Bonds have been paid and performed in full; and

(B) under the contract clauses of the State of Michigan and United States Constitutions, the State of Michigan, including the MPSC, could not constitutionally take any action of a legislative character, including, but not limited to, the repeal or amendment of the Customer Choice Act or the MPSC financing order (including repeal or amendment by voter initiative as defined in the Michigan Constitution or by amendment of the Michigan Constitution), that would substantially impair the value of the Transferred Securitization Property or substantially reduce or alter, except as allowed under the adjustment provisions described in Customer Choice Act, or substantially impair the Securitization Charges to be imposed, collected and remitted to the Issuer, unless this action is a reasonable exercise of the State of Michigan's sovereign powers and of a character reasonable and appropriate to the public purpose justifying this action and, under the takings clauses of the State of Michigan and United States Constitutions, the State of Michigan, including the MPSC, could not repeal or amend the Customer Choice Act or the Financing Order (including repeal or amendment by voter initiative as defined in the Michigan Constitution, or by amendment of the Michigan Constitution) or take any other action in contravention of its pledge quoted above, without paying just compensation to the Securitization Bondholders, as determined by a court of competent jurisdiction, if this action would constitute a permanent appropriation of a substantial property interest of the Securitization Bondholders in the Securitization Property and deprive the Securitization Bondholders of their reasonable expectations arising from their investments in the Securitization Bonds.

(iv) There is no order by any court providing for the revocation, alteration, limitation or other impairment of the Customer Choice Act, the Financing Order, the Transferred Securitization Property or the Securitization Charges or any rights arising under any of them or that seeks to enjoin the performance of any obligations under the Financing Order.

(e) *Assumptions.* The assumptions used in calculating the Securitization Charge in any notice delivered by Consumers to the MPSC will be reasonable and made in good faith.

(f) *Creation of Transferred Securitization Property.*

(i) The Transferred Securitization Property constitutes a present property right;

(ii) the Securitization Property consists of the rights and interests of the Seller, or its successor, under the Financing Order, including all of the following:

(a) the right under Section 10j(1)(a) of the Customer Choice Act to impose, collect, and receive the Securitization Charges authorized in the Financing Order in an amount necessary to provide the full recovery of all qualified costs, as defined in the Customer Choice Act;

(b) the right under Section 10j(1)(b) of the Customer Choice Act and under the Financing Order to obtain periodic adjustments of Securitization Charges under Section 10k(3) of the Customer Choice Act; and

(c) all revenue, collections, payments, money, and proceeds arising out of the rights and interests described above;

(iii) the Transferred Securitization Property is not subject to any Lien created by the Indenture dated September 1, 1945 of the Seller to City Bank Farmers Trust Company (now Citibank, NA), as mortgage trustee (the "Trust Indenture"), or any Lien created by any other indenture, agreement or other instrument to which the Seller is a party or by which the Seller is bound; and the grant of a security interest in the Transferred Securitization Property pursuant to Section 2.01(e) of this Agreement will not breach any covenant in the Trust Indenture or in any such indenture, agreement or other instrument.

(iv) the Financing Order, together with the Securitization Charges authorized therein, is irrevocable and the Securitization Charges are not subject to reduction, impairment or adjustment by further action of the MPSC, except as provided under Section 10k(3) of the Customer Choice Act.

SECTION 3.09 Solvency. Upon giving effect to the sale of any Transferred Securitization Property hereunder, the Seller:

(a) is solvent and expects to remain solvent;

(b) is adequately capitalized to conduct its business and affairs considering its size and the nature of its business and intended purposes;

(c) is not engaged nor does it expect to engage in a business for which its remaining property represents an unreasonably small amount of capital;

(d) reasonably believes that it will be able to pay its debts as they come due;
and

(e) is able to pay its debts as they mature and does not intend to incur, or believe that it will incur, indebtedness that it will not be able to repay at its maturity.

ARTICLE IV

Covenants of the Seller

SECTION 4.01 Seller's Existence. So long as any of the Securitization Bonds are outstanding, the Seller shall, subject to Section 5.02, keep in full force and effect its existence and remain in good standing under the laws of the jurisdiction of its organization, and shall obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or will be necessary to protect the validity and enforceability of this Agreement and each other instrument or agreement to which the Seller is a party necessary to the proper administration of this Agreement and the transactions contemplated hereby.

SECTION 4.02 No Liens or Conveyances. Except for the conveyances hereunder, the Seller shall not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien on, any of the Transferred Securitization Property, whether now existing or hereafter created, or any interest therein. The Seller shall not at any time assert any Lien against or with respect to any Transferred Securitization Property, and shall defend the right, title and interest of the Issuer and the Trustee, as assignee of the Issuer, in, to and under the Transferred Securitization Property, whether now existing or hereafter created, against all claims of third parties claiming through or under the Seller.

SECTION 4.03 Use of Proceeds. The Seller shall use proceeds from the sale of the Securitization Property in accordance with the Financing Order and the Customer Choice Act.

SECTION 4.04 Delivery of Collections. If the Seller receives collections of the Securitization Charge in its capacity as Seller, the Seller shall pay the Servicer all payments received by the Seller in respect thereof as soon as practicable after receipt thereof by the Seller, but in no event later than two Business Days after such receipt.

SECTION 4.05 Notice of Liens. The Seller shall notify the Issuer and the Trustee promptly after becoming aware of any purported Lien on any Transferred Securitization Property other than the conveyances hereunder or under the Indenture.

SECTION 4.06 Compliance with Law. The Seller shall comply with its organizational or governing documents and all laws, treaties, rules, regulations and determinations of any governmental instrumentality applicable to the Seller, except to the extent that failure to so comply would not materially adversely affect the Issuer's or the Trustee's interests in the Transferred Securitization Property or under any of the Basic Documents or the Seller's performance of its obligations hereunder or its obligations as Seller under any of the Basic Documents to which it is a party.

SECTION 4.07 Covenants Related to Transferred Securitization Property.

- (a) So long as any of the Securitization Bonds are outstanding, the Seller shall:
 - (i) treat the Securitization Bonds as debt for all purposes;
 - (ii) disclose in its financial statements that on a non-consolidated basis it is not the owner of the Transferred Securitization Property and that the assets of the Issuer are not available to pay creditors of the Seller or any of its Affiliates (other than the Issuer);
 - (iii) disclose the effects of all transactions between the Seller and the Issuer in accordance with generally accepted accounting principles; and
 - (iv) not own or purchase any Securitization Bonds.
- (b) The Seller agrees that upon the sale by the Seller of the Transferred Securitization Property to the Issuer pursuant to this Agreement:
 - (i) to the fullest extent permitted by law, including the Customer Choice Act and applicable MPSC Regulations, the Issuer shall have all of the rights originally held by the Seller with respect to the Transferred Securitization Property, including the right to collect any amounts payable by any Customer in respect of such Transferred Securitization Property, notwithstanding any objection or direction to the contrary by the Seller; and
 - (ii) any payment by any Customer to the Issuer of Securitization Charges shall discharge such Customer's obligations in respect of such Transferred Securitization Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Seller.

(c) So long as any of the Securitization Bonds are Outstanding,

(i) except for tax and financial reporting purposes, the Seller shall not make any statement or reference in respect of the Transferred Securitization Property that is inconsistent with the ownership thereof by the Issuer; and

(ii) the Seller shall not take any action in respect of the Transferred Securitization Property except as contemplated by the Basic Documents.

SECTION 4.08 Notice of Indemnification Events. The Seller shall deliver to the Issuer and the Trustee, promptly after having obtained knowledge thereof, written notice in an Officer's Certificate of the occurrence of any event which requires or which, with the giving of notice or the passage of time or both, would require the Seller to make any indemnification payment pursuant to Section 5.01.

SECTION 4.09 Protection of Title. The Seller shall execute and file such filings, and cause to be executed and filed such filings, and take all such actions, all in such manner and in such places as may be required by law fully to preserve, maintain, and protect the interests of the Issuer and the Trustee in the Transferred Securitization Property, including all filings required under the Michigan UCC and the Delaware UCC relating to the transfer of the ownership of the Transferred Securitization Property by the Seller to the Issuer and the pledge of the Transferred Securitization Property by the Issuer to the Trustee. The Seller shall deliver (or cause to be delivered) to the Issuer and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The Seller shall take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary:

- (a) to protect the Issuer and the Securitization Bondholders from claims, State actions or other actions or proceedings of third parties which, if successfully pursued, would result in a breach of any representation set forth in Section 3.08; or
- (b) to block or overturn any attempts to cause a repeal of, modification of or supplement to the Customer Choice Act, the Financing Order or the rights of Securitization Bondholders by legislative enactment or constitutional amendment that would be adverse to the Issuer, the Trustee or the Securitization Bondholders.

The costs of any such actions or proceedings shall be reimbursed by the Issuer to the Seller from Securitization Charge Collections as an Operating Expense. The Seller designates the Issuer as its agent and attorney-in-fact to execute any filings of financing statements, continuation statements or other instruments required of the Issuer pursuant to this Section, it being understood that the Issuer shall have no obligation to execute any such instruments.

SECTION 4.10 Taxes. So long as any of the Securitization Bonds are outstanding, the Seller shall, and shall cause each of its subsidiaries to, pay all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a Lien on the Transferred Securitization Property; provided that no such tax need be paid if the Seller or one of its Affiliates is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Seller or such Affiliate has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

ARTICLE V

Additional Undertakings of the Seller

The Seller hereby undertakes the obligations contained in this Article V and agrees that the Issuer shall have the right to assign its rights with respect to such obligations to the Trustee for the benefit of the Securitization Bondholders.

SECTION 5.01 Liability of the Seller; Indemnities.

(a) The Seller shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Seller under this Agreement.

(b) The Seller shall indemnify the Issuer and the Trustee, for itself and on behalf of the Securitization Bondholders, and each of their respective officers, directors, managers, employees and agents for, and defend and hold harmless each such Person from and against, any and all taxes (other than any taxes imposed on Securitization Bondholders solely as a result of their ownership of Securitization Bonds) that may at any time be imposed on or asserted against any such Person under existing law as of any Transfer Date as a result of the sale and assignment of the Transferred Securitization Property by the Seller to the Issuer, the acquisition or holding of the Transferred Securitization Property by the Issuer or the issuance and sale by the Issuer of the Securitization Bonds, including any sales, gross receipts, general corporation, personal property, privilege, franchise, license or single business taxes, but excluding any taxes imposed as a result of a failure of such person to properly withhold or remit taxes imposed with respect to payments on any Securitization Bond.

(c) The Seller shall indemnify the Issuer and the Trustee, for itself and on behalf of the Securitization Bondholders, and each of their respective officers, directors, managers, employees and agents for, and defend and hold harmless each such Person from and against, (i) any and all amounts of principal of and interest on the Securitization Bonds not paid when due or when scheduled to be paid in accordance with their terms and the amount of any deposits to the Issuer required to have been made in accordance with the terms of the Basic

Documents which are not made when so required, as a result of the Seller's breach of any of its representations, warranties or covenants contained in this Agreement, and (ii) any and all liabilities, obligations, claims, actions, suits or payments of any kind whatsoever that may be imposed on or asserted against any such Person, other than any liabilities, obligations or claims for or payments of principal of or interest on the Securitization Bonds, together with any reasonable costs and expenses incurred by such Person, as a result of the Seller's breach of any of its representations, warranties or covenants contained in this Agreement.

(d) The Seller shall pay any and all taxes levied or assessed upon all or any part of the Issuer's property or assets based on existing law as of the Transfer Date.

(e) Indemnification under this Section 5.01 shall survive the resignation or removal of the Trustee and the termination of this Agreement and shall include reasonable fees and expenses of investigation and litigation (including reasonable attorneys' fees and expenses). The Seller shall not indemnify any party for any changes in law after the Transfer Date.

(f) The indemnification obligation of the Seller under this Section 5.01 shall be pari passu with all other general unsecured obligations of the Seller.

SECTION 5.02 Merger or Consolidation of, or Assumption of the Obligations of, the Seller. Any Person:

- (a) into which the Seller may be merged or consolidated and which succeeds to all or the major part of the electric distribution business of the Seller,
- (b) which results from the division of the Seller into two or more Persons and which succeeds to all or the major part of the electric distribution business of the Seller,
- (c) which may result from any merger or consolidation to which the Seller shall be a party and which succeeds to all or the major part of the electric distribution business of the Seller,
- (d) which may succeed to the properties and assets of the Seller substantially as a whole and which succeeds to all or the major part of the electric distribution business of the Seller, or
- (e) which may otherwise succeed to all or the major part of the electric distribution business of the Seller,

which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Seller under this Agreement, shall be the successor to the Seller hereunder without the execution or filing of any document or any further act by any of the parties to this Agreement; provided, however, that:

- (i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Article III shall have been breached and no Servicer Default, and no event that, after notice or lapse of time, or both, would become a Servicer Default, shall have occurred and be continuing,
- (ii) the Seller shall have delivered to the Issuer and the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger or succession and such agreement of assumption comply with this Section 5.02 and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with,
- (iii) the Seller shall have delivered to the Issuer and the Trustee an Opinion of Counsel either
 - (A) stating that, in the opinion of such counsel, all filings to be made by the Seller, including filings under the Michigan and Delaware UCC, that are necessary fully to preserve and protect fully the respective interests of the Issuer and the Trustee in the Transferred Securitization Property have been executed and filed, and reciting the details of such filings, or
 - (B) stating that, in the opinion of such counsel, no such action is necessary to preserve and protect such interests,
- (iv) the Rating Agencies shall have received prior written notice of such transaction (although there is no requirement of any Rating Agency Confirmation); and
- (v) the Seller shall have delivered to the Issuer and the Trustee an opinion of independent tax counsel as selected by the Issuer and the Trustee which opinion is and in form and substance reasonably satisfactory to the Issuer and the Trustee and which may be based on a ruling from the Internal Revenue Service, to the effect that, for federal income tax purposes, such consolidation or merger will not result in a material adverse federal income tax consequence to the Seller, the Issuer, the Trustee or the holders of the Outstanding Securitization Bonds.

The Seller shall not consummate any transaction referred to in clauses (a), (b), (c), (d) or (e) above except upon execution of the above described agreement of assumption and compliance with clauses (i), (ii), (iii), (iv) and (v) above. When any Person acquires the properties and assets of the Seller substantially as a whole and becomes the successor to the Seller in accordance with the terms of this Section 5.02, then upon the satisfaction of all of the other conditions of this Section 5.02, the Seller shall automatically and without further notice be released from its obligations hereunder.

SECTION 5.03 Limitation on Liability of the Seller and Others. The Seller and any director, officer, employee or agent of the Seller may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising hereunder. Subject to Section 4.08, the Seller shall not be under any obligation to appear in, prosecute or defend any legal action that is not incidental to its obligations under this Agreement, and that in its opinion may involve it in any expense or liability.

ARTICLE VI

Miscellaneous Provisions

SECTION 6.01 Amendment. (a) This Agreement may be amended by the Seller and the Issuer, with the consent of the Trustee and the satisfaction of the Rating Agency Condition. Promptly after the execution of any such amendment or consent, the Issuer shall furnish written notification of the substance of such amendment or consent to each of the Rating Agencies.

(b) Prior to the execution of any amendment to this Agreement, the Issuer and the Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Issuer and the Trustee may, but shall not be obligated to, enter into any such amendment which affects their own rights, duties or immunities under this Agreement or otherwise.

SECTION 6.02 Notices. Unless otherwise specifically provided herein, all notices, directions, consents and waivers required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice, direction, consent or waiver may be given by United States first-class mail, reputable overnight courier service, facsimile transmission or electronic mail (confirmed by telephone, United States first-class mail or reputable overnight courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such notice, direction, consent or waiver shall be effective when delivered or transmitted, or if mailed, five days after deposit in the United States first-class mail with proper postage for first-class mail prepaid:

- (a) in the case of the Seller, at Consumers Energy Company, 212 W. Michigan Avenue, Jackson, Michigan 49201 Attention: Thomas McNish, Corporate Secretary,
- (b) in the case of the Issuer, at Consumers Funding LLC, 212 W. Michigan Avenue, Suite M-1029, Jackson, Michigan 49201, Attention: Managers,

- (c) in the case of Moody's, at Moody's Investors Service, Inc., ABS Monitoring Department, 99 Church Street, New York, New York 10007,
- (d) in the case of Standard & Poor's, at Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041, Attention: Asset Backed Surveillance Department, and
- (e) in the case of Fitch, at Fitch, Inc., 1 State Street Plaza, New York, New York, Attention: ABS Surveillance,
- (f) in the case the Trustee, at the address provided for notices or communications to the Trustee in the Indenture;

or, as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

SECTION 6.03 Assignment by Seller. Subject to Section 5.02, this Agreement may not be assigned by the Seller.

SECTION 6.04 Assignment to Trustee. The Seller hereby acknowledges and consents to any pledge, assignment and grant of a security interest by the Issuer to the Trustee pursuant to the Indenture for the benefit of the Securitization Bondholders of all right, title and interest of the Issuer in, to and under the Transferred Securitization Property and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder to the Trustee.

SECTION 6.05 Limitations on Rights of Others. The provisions of this Agreement are solely for the benefit of the Seller, the Issuer and the Trustee, on behalf of itself and the Securitization Bondholders, and nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Collateral or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

SECTION 6.06 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

SECTION 6.07 Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 6.08 Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 6.09 Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 6.10 Nonpetition Covenant. Notwithstanding any prior termination of this Agreement or the Indenture, the Seller hereby covenants and agrees that it shall not, prior to the date which is one year and one day after the termination of the Indenture and the payment in full of the Securitization Bonds, any other amounts owed under the Indenture, including any amounts owed to third-party credit enhancers, and any amounts owed under any hedge or swap agreement, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any Federal or State bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or ordering the winding up or liquidation of the affairs of the Issuer.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the date and year first above written.

*Approved as to form
MDV4*

CONSUMERS FUNDING LLC,
as Issuer

By: 

Name: Thomas A. McNish
Title: Manager

CONSUMERS ENERGY COMPANY,
as Seller

By: 

Name: Thomas A. McNish
Title: Vice President and Secretary

EXHIBIT A

BILL OF SALE

For good and valuable consideration the receipt of which is hereby acknowledged, CONSUMERS ENERGY COMPANY, a Michigan corporation (the "Seller"), does hereby sell, assign, transfer and convey to CONSUMERS FUNDING LLC, a Delaware limited liability company (the "Issuer"), without recourse except as provided in the Sale Agreement referred to below, all of the Seller's right, title and interest in, to and under all of the Securitization Property (being the "Transferred Securitization Property"), which sale, assignment, transfer and conveyance of the Transferred Securitization Property shall include, as provided in the Customer Choice Act, the sale, assignment, transfer and conveyance of all of the Seller's right, title and interest in, to and under all revenues, collections, payments, money and proceeds arising under or with respect to the Securitization Charges related to the Transferred Securitization Property, as the same may be adjusted from time to time in accordance with the Customer Choice Act and the Financing Order, to have and to hold the same unto the Issuer and to the successors and assigns of the Issuer, forever.

Capitalized terms used herein and not defined shall have the meanings set forth in the Sale Agreement dated November 8, 2001 (the "Sale Agreement") between the Issuer and the Seller.

This Bill of Sale shall be construed in accordance with the laws of the State of Michigan, without reference to its conflict of law provisions.

IN WITNESS WHEREOF, the Seller has duly executed and delivered this Bill of Sale this 8th day of November, 2001.

CONSUMERS ENERGY COMPANY,
as Seller

By: _____

Name: _____

Title: _____

Accepted this 8th day of November, 2001.

CONSUMERS FUNDING LLC

By: _____

Name: _____

Title: _____

EXHIBIT B
Opinion of Counsel

EXHIBIT C
Opinion of Counsel

APPENDIX A
MASTER DEFINITIONS

(See Master Definitions Appendix - which is a separate document)

BILL OF SALE

For good and valuable consideration the receipt of which is hereby acknowledged, CONSUMERS ENERGY COMPANY, a Michigan corporation (the "Seller"), does hereby sell, assign, transfer and convey to CONSUMERS FUNDING LLC, a Delaware limited liability company (the "Issuer"), without recourse except as provided in the Sale Agreement referred to below, all of the Seller's right, title and interest in, to and under all of the Securitization Property (being the "Transferred Securitization Property"), which sale, assignment, transfer and conveyance of the Transferred Securitization Property shall include, as provided in the Customer Choice Act, the sale, assignment, transfer and conveyance of all of the Seller's right, title and interest in, to and under all revenues, collections, payments, money and proceeds arising under or with respect to the Securitization Charges related to the Transferred Securitization Property, as the same may be adjusted from time to time in accordance with the Customer Choice Act and the Financing Order, to have and to hold the same unto the Issuer and to the successors and assigns of the Issuer, forever.

Capitalized terms used herein and not defined shall have the meanings set forth in the Sale Agreement dated November 8, 2001 (the "Sale Agreement") between the Issuer and the Seller.

This Bill of Sale shall be construed in accordance with the laws of the State of Michigan, without reference to its conflict of law provisions.

IN WITNESS WHEREOF, the Seller has duly executed and delivered this Bill of Sale this 8th day of November, 2001.

Approved as to form
MDVH

CONSUMERS ENERGY COMPANY,
as Seller

By: *Laura L Mountcastle*
Name: Laura L. Mountcastle
Title: Vice President and Treasurer

Accepted this 8th day of November, 2001.

CONSUMERS FUNDING LLC

By: *Laura L Mountcastle*
Name: Laura L. Mountcastle
Title: President, Chief Executive Officer, Chief Financial Officer and Treasurer