CONSUMERS ENERGY CO
Form FWP
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Final Term Sheet

November 2, 2015

Issuer:	Consumers Energy Company
Security:	4.10% First Mortgage Bonds due 2045
Aggregate Principal Amount Offered:	$250,000,000
Maturity Date:	November 15, 2045
Coupon:	4.10%
Yield to Maturity:	4.105%
Spread to Benchmark Treasury:	+115 basis points
Benchmark Treasury Security:	3.000% due May 15, 2045
Benchmark Treasury Price and Yield:	100-28; 2.955%
Interest Payment Dates:	May 15 and November 15
First Interest Payment Date:	May 15, 2016
Public Offering Price:	99.913%
Optional Redemption:	Make-whole call at any time prior to May 15, 2045 at Treasury rate plus 20 basis points and, thereafter, at par
Trade Date:	November 2, 2015
Settlement Date:	November 6, 2015 (T+4)
Expected Ratings:	A1 / A / A- (Moody s / S&P / Fitch) **Note:** A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time
Joint Book-Running Managers:	BNP Paribas Securities Corp. Citigroup Global Markets Inc. Deutsche Bank Securities Inc. Mizuho Securities USA Inc. RBC Capital Markets, LLC Scotia Capital (USA) Inc. SunTrust Robinson Humphrey, Inc.
Co-Managers:	KeyBanc Capital Markets Inc. U.S. Bancorp Investments, Inc.
CUSIP/ISIN:	210518 CY0 / US210518CY08

Consumers Energy Company has filed a registration statement (including a prospectus, as supplemented) with the Securities and Exchange Commission (SEC) for the offering to which this communication relates. Before you invest, you should read the prospectus (as supplemented) in that registration statement and other documents Consumers Energy Company has filed with the SEC for more complete information about Consumers Energy Company and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Consumers Energy Company, any underwriter or any dealer participating in the offering will arrange to send you the

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prospectus if you request it by calling BNP Paribas Securities Corp. toll-free at 1-800-854-5674, Citigroup Global Markets Inc. toll-free at 1-800-831-9146, Deutsche Bank Securities Inc. toll-free at 1-800-503-4611, Mizuho Securities USA Inc. toll-free at 1-866-271-7403, RBC Capital Markets, LLC toll-free at 1-866-375-6829, Scotia Capital (USA) Inc. toll-free at 1-800-372-3930 and SunTrust Robinson Humphrey, Inc. toll-free at 1-800-685-4786.

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sts.
Sales decreased in all product categories. General building products sales decreased 31% to $164.9 million. Millwork sales decreased 37% to $154.0 million. Other wood products, mostly commodity products, decreased 47% to $24.5 million and engineered wood sales were down 52% to $7.9 million.
Gross margin decreased 38% to $62.7 million, or 17.8% of sales, as compared to $101.8 million, or 18.7% of sales, in the prior year period. The gross margin for the first nine months of 2009 reflects a benefit of a $0.9 million LIFO liquidation adjustment due to branch closures, which was partially offset by a $0.6 million net write down of inventory at closed branches, while the first nine months of 2008 reflect a $1.1 million charge from a net write down and liquidation of inventory at closed branches. These items favorably impacted 2009 gross margin percentage by 0.1% and negatively impacted 2008 gross margin percentage by approximately 0.2%. The remaining decrease in gross margin percentage in the first nine months of 2009 is primarily a result of lower building products margins from sales of metal fastener inventory and lower margins on millwork which were partially offset by a reduction in LIFO inventory layers as inventory levels have declined and an increased mix of higher margin non-direct sales in the nine months ended September 30, 2009. The 2009 and 2008 gross margins were also negatively impacted by pricing pressure in the down housing market, which is expected to continue through the remainder of 2009.
Operating expenses decreased 30% to $81.5 million, or 23.2% of sales, in the first nine months of 2009, compared to $117.2 million, or 21.5% of sales, in the first nine months of 2008. First nine months of 2009 and 2008 results included $1.4 million and $2.1 million in charges related to the cost reduction actions, respectively. Excluding these 2009 and 2008 charges, operating expenses decreased by $35.0 million primarily due to lower employee headcount and lower infrastructure levels as a result of the prior restructuring actions and lower variable costs associated with decreased sales volume.
During the first nine months of 2009 and 2008, we determined that based on a further decline in actual and forecasted operating results at certain of our reporting units, an interim test for goodwill impairment was necessary for the impacted units. In determining if there was impairment, we first compared the fair value of the reporting unit (calculated by discounting projected cash flows) to the carrying value. Because the carrying value of certain reporting units exceeded the fair value, we allocated the fair value to the assets and liabilities of the units and determined that the fair value of the implied goodwill was lower than what was recorded. Accordingly, goodwill impairment charges of $1.0 million and $7.1 million in the first nine months of 2009 and 2008, respectively, were recorded for these reporting units in the Consolidated Statements of Operations. A prolonged continuation of the current downturn and any future unanticipated downturns in the markets we serve could result in further goodwill impairment charges in future periods.
Net interest expense decreased to $1.2 million in the first nine months of 2009 from $2.0 million in the prior year period due to lower interest rates and decreased borrowing levels.

We recognized income tax expense of $0.5 million in the first nine months of 2009 and we have net deferred tax assets at September 30, 2009 of $0.5 million. Management believes it is more likely than not that with its available tax planning strategies, and after consideration of the valuation allowance, we will generate sufficient taxable income to realize the benefits of the net deferred tax assets. Our valuation allowance increased at September 30, 2009 to $22.7 million from $14.8 million at December 31, 2008. The increase relates to the additional valuation allowance recorded against net operating loss carry forwards generated in the nine-month period ended September 30, 2009.

As a result of the foregoing factors, we incurred an operating loss from continuing operations of $18.9 million in the first nine months of 2009, as compared to $22.3 million of operating loss from continuing operations in the first nine months of 2008. Net loss from continuing operations was $20.6 million, or $0.97 per diluted share, in the first nine months of 2009, as compared to a net loss from continuing operations of $19.9 million, or $0.95 per diluted share, in the first nine months of 2008.

Discontinued Operations

We recorded a $0.8 million after tax loss from discontinued operations related to a note receivable impairment and environmental and litigation expenses in 2009 and a $0.1 million after tax loss for environmental and litigation expenses associated with previously reported discontinued operations in 2008.

Liquidity and Capital Resources

We depend on cash flow from operations and funds available under our revolving credit facility to finance seasonal working capital needs, capital expenditures and any acquisitions that we may undertake. Our working capital requirements are generally greatest in the second and third quarters, which reflect the seasonal nature of our business. The second and third quarters are also typically our strongest operating quarters, largely due to increased construction activities from more favorable weather throughout many of our markets compared to the first and fourth quarters. Absent unusual market conditions, we typically generate cash from working capital reductions in the fourth quarter of the year and build working capital during the first quarter in preparation for our second and third quarters. We also maintain significant inventories to meet rapid delivery requirements of our customers and to enable us to obtain favorable pricing, delivery and service terms with our suppliers. At September 30, 2009, December 31, 2008 and September 30, 2008, net inventories constituted approximately 33%, 41% and 36% of our total assets, respectively. We also closely monitor operating expenses and inventory levels during seasonally affected periods and, to the extent possible, manage variable operating costs to minimize seasonal effects on our profitability.

Operations. Cash used in operating activities totaled $9.3 million for the nine months ended September 30, 2009 as compared to cash used in operating activities of $0.6 million for the first nine months of 2008. For the nine months ended September 30, 2009, our net loss increased $1.4 million compared to the nine months ended September 30, 2008. The net loss included goodwill impairment charges of $1.0 million and $7.1 million in 2009 and 2008, respectively. Accounts receivable increased by $16.5 million in the first nine months of 2009, compared to an increase of $8.7 million in the first nine months of 2008. Inventory decreased by $12.4 million in the 2009 first nine months, compared to a decrease of $17.9 million in the 2008 period. Accounts payable increased by $12.7 million in the nine months ended September 30, 2009 as compared to a decrease of $0.9 million in the nine months ended September 30, 2008.

Investing. In the nine-month period ended September 30, 2009, net cash provided by investing activities was $0.7 million, as compared to $1.1 million of net cash used in investing activities in the nine-month period ended September 30, 2008. Capital expenditures totaled $0.7 million and $1.7 million in the first nine months of 2009 and 2008, respectively, primarily to purchase machinery and equipment for branch operations. In 2009, we received proceeds of $1.4 million and recorded gains on disposal of capital assets of $0.9 million primarily as a result of our sale of the Greensburg, PA facility, which ceased operations in 2008. In 2008, we received proceeds of $0.6 million and recorded gains on disposal of capital assets of $0.2 million.

Financing. Cash provided by financing activities totaled $7.4 million and $7.0 million for the nine months ended September 30, 2009 and 2008, respectively. These amounts include an increase in net borrowings of $7.4 million and $6.1 million, respectively, and proceeds from the exercise of stock options of $0.9 million in 2008.

Credit Agreement. We have a five-year $120.0 million asset based senior secured revolving credit facility (credit facility). Borrowing availability under the credit facility is based on eligible accounts receivable, inventory and real estate. The real estate component of the borrowing base amortizes monthly over ten years on a straight-line basis. We reduced the credit facility size from $160.0 million to $120.0 million in the third quarter of 2009. We must also pay a fee in the range of 0.25% to 0.32% per annum on the average daily-unused amount of the revolving credit commitment. The entire unpaid balance under the credit facility is due and payable on October 20, 2011, the maturity date of the credit facility.

At September 30, 2009, we had borrowings of $31.2 million outstanding under the credit facility at a weighted average interest rate of 1.68%, letters of credit outstanding totaling $6.0 million, primarily for health and workers compensation insurance, and $49.3 million of additional borrowing capacity. In addition to the credit facility, we had $0.3 million of other obligations outstanding at September 30, 2009.

The borrowings under the credit facility are collateralized by substantially all of our assets and are subject to certain operating limitations commonly applicable to a loan of this type, which, among other things, place limitations on

indebtedness, liens,

investments, mergers and acquisitions dispositions of assets, cash dividends, stock repurchases and transactions with affiliates. The financial covenant in the credit facility is limited to a fixed charge coverage ratio to be tested only when excess borrowing availability, as defined, is less than $25.0 million, on a pro forma basis prior to consummation of certain significant business transactions outside the ordinary course of business.

We believe that cash generated from our operations and funds available under our credit facility will provide sufficient funds to meet our currently anticipated short-term and long-term liquidity and capital expenditure requirements.

Off-Balance Sheet Arrangements

In addition to funds available from operating cash flows and our credit facility as described above, we use operating leases as a principal off-balance sheet financing technique. Operating leases are employed as an alternative to purchasing certain property, plant and equipment. See our Annual Report on Form 10-K for the year ended December 31, 2008 in Part II, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations-Commitments and Contingencies.

Contingencies

We are involved in a number of legal proceedings incidental to the conduct of our business, relating to such matters as product liability, environmental liability and vehicular accidents. We carry insurance policies on insurable risks with coverage and other terms that we believe to be appropriate. We generally have self-insured retention limits and have obtained fully insured layers of coverage above such self-insured retention limits. Accruals for self-insurance losses are made based on claims experience. Liabilities for existing and unreported claims are accrued when it is probable that future costs will be incurred and such future costs can be reasonably estimated.

We are subject to federal, state and local environmental protection laws and regulations. Our management believes we are in compliance, or are taking action aimed at assuring compliance, with applicable environmental protection laws and regulations. However, there can be no assurance that future environmental liabilities will not have a material adverse effect on our consolidated financial condition or results of operations.

We have been identified as a potentially responsible party in connection with the clean up of contamination at a formerly owned property in Montana that was used for the manufacture of wood windows and at a currently-owned facility in Prineville, Oregon, in connection with the clean up of petroleum hydrocarbons and PCP discovered in soil and groundwater at the facility. As of September 30, 2009, we have accrued approximately $0.8 million for future costs of remediating these sites. However, until a final remedy is selected by the respective state departments of environmental quality, management cannot estimate the top of the range of loss or cost to us of the final remediation order.

In addition, some of our current and former distribution centers are located in areas of current or former industrial activity where environmental contamination may have occurred, and for which we, among others, could be held responsible. We currently believe that there are no material environmental liabilities at any of our distribution center locations.

We accrue expenses for contingencies when it is probable that an asset has been impaired or a liability has been incurred and management can reasonably estimate the expense. Contingencies for which we have made accruals include environmental, product liability and other legal matters. Based on management s assessment of the most recent information available, management currently does not expect any of these contingencies to have a material adverse effect on our financial position or cash flow. It is possible, however, that future results of operations for any particular quarter or annual period and our financial condition could be materially affected by changes in assumptions or other circumstances related to these matters.

Cautionary Statement

Certain statements in this Quarterly Report on Form 10-Q contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to statements regarding:

- our expectation that known contingencies, including risks relating to environmental, product liability and other legal matters, will not have a material adverse effect on our financial position or cash flow;

our belief that there are no material environmental liabilities at any of our distribution center locations;

our anticipation of decreased housing starts for the balance of 2009 as compared to 2008;

our belief that it is more likely than not we will generate sufficient taxable income to realize the benefits of the net deferred tax assets existing at September 30, 2009;

our expectation that the severe downturn in new housing activity will continue to adversely affect our operating results for at least the remainder of 2009 and that the pricing pressure in the down housing market will continue through the remainder of 2009;

our belief that cash generated from our operations and funds available under our credit facility will provide sufficient funds to meet our currently anticipated short-term liquidity and long-term liquidity and capital expenditure requirements;

our belief that we have the product offerings, warehouse and support facilities, personnel, systems infrastructure and financial and competitive resources necessary for continued business success;

our liquidity and exposure to market risk; and

cyclical and seasonal trends.

The words or phrases will likely result, are expected to, will continue, is anticipated, estimate, project or simi expressions identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These statements present management s expectations, beliefs, plans and objectives regarding our future business and financial performance. These forward-looking statements are based on current projections, estimates, assumptions and judgments, and involve known and unknown risks and uncertainties. There are a number of factors that could cause our actual results to differ materially from those expressed or implied in the forward-looking statements. These factors include, but are not limited to, the following:

the strength of the national and local new residential construction and home improvement and remodeling markets, which in turn depend on factors such as:

interest rates;

immigration patterns;

unemployment rates;

job and household formation;

household prices;

tax policy;

regional demographics;

employment levels;

availability of credit;

inventory levels of new and existing homes for sale;

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- prices of wood and steel-based products;
- fuel costs; and
- consumer confidence;

- the level of competition in our industry;
- our relationships with suppliers of the products we distribute;
- our ability to comply with availability requirements and the financial covenant under our revolving credit facility;
- the financial condition and credit worthiness of our customers;
- fluctuation in prices of wood and steel-based products;
- cyclical and seasonal trends;
- costs of complying with environmental laws and regulations,;
- our exposure to product liability claims;
- our ability to attract and retain key personnel;
- risk of losses associated with accidents;
- costs of complying with federal and state transportation regulations, as well as fluctuations in the cost of fuel;
- accuracy of our assumptions underlying our projections of future taxable income, including available tax planning strategies.

We disclaim any obligation to publicly update or revise any of these forward-looking statements.

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ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to market risk as it relates to effects of changes in interest rates. We had debt outstanding at September 30, 2009 under our credit facility of $31.2 million.

All of our debt under our revolving credit facility accrues interest at a floating rate basis. If market interest rates for LIBOR had been different by an average of 1% for the nine months ended September 30, 2009, our interest expense and income before taxes would have changed by $0.3 million. These amounts are determined by considering the impact of the hypothetical interest rates on our borrowing cost. This analysis does not consider the effects of any change in the overall economic activity that could exist in such an environment. Further, in the event of a change of such magnitude, management may take actions to further mitigate its exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, the sensitivity analysis assumes no changes in our financial structure.

We are subject to periodic fluctuations in the price of wood, steel commodities, petrochemical-based products and fuel. Profitability is influenced by these changes as prices change between the time we buy and sell the wood, steel or petrochemical-based products. Profitability also is influenced by changes in prices in fuel. In addition, to the extent changes in interest rates affect the housing and remodeling market, we would be affected by such changes.

ITEM 4 CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures The Company, under the supervision and with the participation of our Disclosure Committee and management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of September 30, 2009 in all material respects in (a) causing information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 to be recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and (b) causing such information to be accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control of Financial Reporting There have been no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2009, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

See Note 4 Contingencies of the Notes to Consolidated Financial Statements (unaudited) in Item 1 for information on legal proceedings in which the Company is involved. See also Part I, Item 3- Legal Proceedings in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

ITEM 6 EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of the Company (Incorporated by reference to Exhibit 3.1 to the Form 10 filed with the Securities and Exchange Commission on September 21, 1999.)
3.2	Amended and Restated Bylaws of the Company (as of September 26, 2007) (Incorporated by reference to Exhibit 3.1 to the Form 8-K filed with the Securities and Exchange Commission on September 28, 2007.)
10.1*	Amendment No. 1 to Amended and Restated Executive Agreement between Huttig Building Products, Inc. and Jon Vrabely effective as of September 28, 2009.
10.2*	Form of letter amendment to Change in Control Agreements.
31.1	Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.

* Management plan or compensatory arrangement

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SIGNATURES

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.

	HUTTIG BUILDING PRODUCTS, INC.
Date: October 30, 2009	/s/ *Jon P. Vrabely* Jon P. Vrabely President and Chief Executive Officer (Principal Executive Officer)
	HUTTIG BUILDING PRODUCTS, INC.
Date: October 30, 2009	/s/ *Philip W. Keipp* Philip W. Keipp Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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