

To: Holders of 4.50% Cumulative Convertible Preferred Stock, Series B (the “Convertible Preferred Stock”)

Date: December 31, 2010

Re: Mandatory Conversion of the Convertible Preferred Stock

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On September 30, 2010, we elected to mandatorily convert all outstanding shares of the Convertible Preferred Stock (the “Mandatory Conversion”) in accordance with certain provisions in the Certificate of Designation allowing for conversion under certain circumstances. This memorandum will provide you with information regarding this Mandatory Conversion that you may need to prepare your federal and state income tax returns for 2010. ***You are urged to consult your own tax advisor regarding the U.S. federal, state, local and foreign tax consequences of the Mandatory Conversion.***

#### Mandatory Conversion

On October 19, 2010 (the “Settlement Date”), you, as a holder of the Convertible Preferred Stock, received an amount equal to the Conversion Value of \$104.22 (determined as described below) for each share of Convertible Preferred Stock you held. The Conversion Value for each Preferred Share was paid to you as follows:

- \$50 in cash,
- 2.9 shares of common stock of CMS Energy (with a cash payment in lieu of any fractional shares).

We determined the Conversion Value by multiplying the conversion rate of 5.5791 shares of CMS Energy common stock per share of Convertible Preferred Stock by \$18.68, the average of the closing sale prices on each of the 10 consecutive trading days beginning on and including October 4, 2010 and ending on, and including, October 15, 2010. For more information regarding this formula, please see the Certificate of Designation.

#### Dividends

As of the date of the Mandatory Conversion, dividends on the Convertible Preferred Stock ceased to accumulate. Any accumulated and unpaid dividends existing prior to the Mandatory Conversion are deemed canceled, extinguished or forfeited.

#### Tax Treatment of the Mandatory Conversion

The Mandatory Conversion should be treated as a recapitalization within the meaning of Section 368(a)(1)(E) of the Internal Revenue Code. You will be required to recognize any gain (but not loss) realized, but only to the extent such gain does not exceed the amount of cash received. Any cash received in lieu of a fractional share will result in gain or loss to you in an amount equal to the difference between the amount of cash received in respect of the fractional share and the portion of your adjusted tax basis in the Convertible Preferred Stock allocable to the fractional share.

### Basis of Common Stock Received in the Mandatory Conversion

Your basis in the CMS Energy common stock received in the Mandatory Conversion, as determined under Section 358(a)(1) of the Internal Revenue Code, is equal to your adjusted basis in the Convertible Preferred Stock, reduced by the cash received in the Mandatory Conversion (other than any cash received in lieu of a fractional share) and increased by the amount of any gain recognized on the Mandatory Conversion (other than gain with respect to a fractional share).

### Where to Get a Copy of the Certificate of Designation

A copy of the Certificate of Designation may be obtained by calling (517) 788-0550 or writing to the following address: CMS Energy Corporation, One Energy Plaza, Jackson, Michigan 49201, Attn: Office of the Secretary.