

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Chapter 11
)	
Calpine Corporation., <u>et al.</u> ,)	Case No. 05-60200 (BRL)
)	
Debtors.)	Jointly Administered

**FINAL ORDER AUTHORIZING USE OF CASH COLLATERAL
AND GRANTING ADEQUATE PROTECTION**

This matter comes on for a final hearing (the “Final Hearing”) pursuant to that certain motion filed on December 21, 2005 by the above-captioned debtors (collectively, the “Debtors”) seeking, in part, entry of (I) an interim order (a) authorizing the Debtors to obtain postpetition financing pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3) and 364(e), and (b) scheduling a final hearing pursuant to Federal Rules of Bankruptcy Procedure 4001(b) and (c) (the “Interim DIP Order”); (II) an interim order (a) authorizing the Debtors to (1) utilize cash collateral of certain prepetition lenders pursuant to 11 U.S.C. §§ 361, 362 and 363, and (2) provide adequate protection, and (b) scheduling a final hearing pursuant to Federal Rules of Bankruptcy Procedure 4001(b) and (c) (the “Interim Cash Collateral Order”); (III) a final order (the “Final DIP Order”), substantially in the form of the Interim DIP Order with the requisite conforming changes authorizing the Debtors to (a) obtain postpetition financing pursuant to 11 U.S.C. §§ 105, 361, 362, 364(c)(1), 364(c)(2), 364(c)(3) and 364(e), and (b) assume the Geysers Agreement pursuant to 11 U.S.C. §§ 365(a) and consummate the transactions contemplated thereby pursuant to § 363(b) and (c) assume the Agnews Lease Documents pursuant to 11 U.S.C. § 365(a); and (IV) a final order authorizing the Debtors to (a) utilize cash collateral of certain prepetition lenders pursuant to 11 U.S.C. §§ 361, 362 and 363,

and (b) provide adequate protection (the “Motion”). Based upon the Motion and the information presented to this Court at the interim hearing held on December 21, 2005 (the “Interim Hearing”), the Court entered the Interim Cash Collateral Order, authorizing use of cash collateral through the Final Hearing. Based on the record presented to the Court at the Interim Hearing and at the Final Hearing and upon review of the Motion itself, the Court makes the following findings:

1. Certain of the Debtors’ first lien debt is comprised of the 9.625% First Priority Senior Secured Notes due 2014, issued by Calpine Corporation (“Calpine”) pursuant to that certain Indenture (the “Calpine First Lien Indenture”), dated as of September 30, 2004, between Calpine and Wilmington Trust Company (the “First Lien Trustee”), as Trustee (the “Calpine First Lien Indenture,” and the holders thereof, the “Calpine First Lien Holders”).

2. The Calpine First Lien Indenture is secured by first priority liens upon and security interests in (i) substantially all of the properties and assets owned by Calpine directly (the “Calpine Corp. Collateral”)¹, including: (a) the stock and equity interests of Calpine’s first-tier domestic subsidiaries including, without limitation, Calpine International Holdings, Inc., Calpine Operations Management Company, Inc., Calpine Fuels Corporation, Calpine Power Company, Calpine Finance Company, Calpine Administrative Services, Inc., Calpine Energy Holdings, Inc., Calpine Northbrook Corporation of Maine, Inc. and Androscoggin Energy, Inc., (b) certain oil and gas reserves and natural gas assets located in the United States (most of which have been sold in accordance with the Calpine First Lien Indenture) and certain power plant

¹ The foregoing definition of Calpine Corp Collateral shall also include any collateral or the proceeds thereof granted to the Calpine Corp Lien Holders under their applicable collateral documents but not described above.

assets and (c) certain intercompany notes issued by Calpine to its subsidiaries, but excluding in each case the Excluded Assets (as defined in the Calpine First Lien Indenture) and (ii) 65% of the stock of Calpine Canada Energy Ltd. (“CCEC”). Other than CCEC, the Calpine Corp. Collateral does not include equity interests of any indirect subsidiary of Calpine, including, without limitation, the equity interests of Thermal Power Company, Geysers Power I Company and Geysers Power Company II, LLC. In addition, all of the cash and cash equivalents owned by Calpine (other than cash held in deposit accounts up to \$50.0 million in the aggregate and borrowings under the DIP Facility, the “Calpine Corp. Cash Collateral”) are “cash collateral” of the Calpine First Lien Holders as defined in section 363(a) of the Bankruptcy Code and such Calpine Corp. Cash Collateral also constitutes “Calpine Corp. Collateral”.

3. The Calpine First Lien Debt is secured by first priority liens on and security interests in the Calpine Corp. Collateral. In addition, the Calpine First Lien Holders have a first priority lien on the Calpine Corp. Cash Collateral, including the approximately \$400 million (the “Designated Asset Sale Proceeds”) currently on deposit in a segregated cash collateral account (the “Control Account”) at Union Bank of California, N.A. pursuant to the Designated Asset Sale Proceeds Agreement, dated as of July 16, 2003, among Calpine, Union Bank of California, N.A. (the “Depository Agent”) and the Bank of New York.

4. Calpine’s second lien debt is comprised of (i) the \$500,000,000 Second Priority Senior Secured Floating Rate Notes Due 2007, (ii) the \$1,150,000,000 8.50% Second Priority Senior Secured Notes due 2010, (iii) the \$900,000,000 Second Priority 8.75% Senior Secured Notes due 2013, in each case issued by Calpine pursuant to certain indentures, dated as of July 16, 2003, between Calpine and Wilmington Trust Company, as Trustee, (iv) the \$400,000,000 9.875% Second Priority Senior Secured Notes due 2011, issued by Calpine

pursuant to a certain Indenture, dated as of November 18, 2003, between Calpine and Wilmington Trust Company, as Trustee (and in such capacity under (i), (ii), (iii) and (iv) hereof, the “Second Lien Trustee”) and (v) the \$750,000,000 Senior Secured Term Loans due 2007 (the “Calpine Second Lien Term Loan”), issued pursuant to that certain Credit Agreement, dated as of July 16, 2003, among Calpine, as borrower, Goldman Sachs Credit Partners, L.P., as sole lead arranger, sole bookrunner and administrative agent and the various co-arrangers, managing agents and lenders named therein (collectively, the “Calpine Second Lien Debt,” and the holders thereof, the “Calpine Second Lien Holders”, and the Calpine Second Lien Holders, collectively with the Calpine First Lien Holders, the “Calpine Corp. Lienholders”).

5. The Calpine Second Lien Debt is secured by second priority liens on and security interests in the Calpine Corp. Collateral. In addition, the Calpine Second Lien Holders have a second priority lien on the Calpine Corp. Cash Collateral, including the Designated Asset Sale Proceeds.

6. Calpine Generating Company, LLC; KIAC Partners; Nissequogue Cogen Partners; Calpine Monterey Cogeneration, Inc.; Calpine Greenleaf, Inc.; Calpine Gilroy Cogen, L.P.; Geysers Power Company, LLC; O.L.S. Energy-Agnews, Inc.; Calpine Hidalgo Power GP, LLC; Calpine Hidalgo Energy Center, L.P.; Calpine Hidalgo Power, LP; Calpine Hidalgo Inc.; Calpine Hidalgo Holdings; MEP Pleasant Hill, LLC and CPN Pleasant Hill, LLC, collectively with the affiliates that comprise the project groups of each of the foregoing, in each case that are Debtors in the Chapter 11 Cases, and any other project subsidiary of Calpine that currently is a Debtor in the Chapter 11 Cases shall henceforth be referred to as the “Project Debtors,” and each individually as a “Project Debtor.”

7. As is customary in project financings, the agreements evidencing indebtedness of the Project Debtors (such agreements, collectively with all related security, depositary and other agreements, the “Project Loan Documents”) owed to project lenders (collectively, the “Project Lenders”) impose restrictions on the Project Debtors’ use of project revenues (such restrictions, the “Cash Waterfall Provisions”). Generally, the Cash Waterfall Provisions require that project revenues be allocated in a specified order of priority to various purposes including, without limitation, to fund (a) operations and maintenance, (b) payment of principal and interest under the Project Loan Documents and (c) various reserve accounts, in each case prior to becoming available to dividend to parent entities or for other allocation (all cash other than the cash available to dividend or other allocation after compliance with the Cash Waterfall Provisions, the “Restricted Cash,” and the cash available to dividend or other allocation, the “Unrestricted Cash”).

8. Under certain of the Project Loan Documents, upon the occurrence of an event of default, a Project Debtor may be required to allocate all revenues to repayment of outstanding indebtedness or may lose the right to allocate revenues in accordance with the Cash Waterfall Provisions or otherwise without the prior consent of the Project Lenders. In such a circumstance, the Project Debtor may lose the ability to fund operations and maintenance and make other critical payments necessary to continue its operations. In addition, under certain of the Project Loan Documents, upon the occurrence of an event of default, including an event of default triggered by the bankruptcy filing of the Project Debtor or an affiliate of the Project Debtor, a Project Debtor may lose the right to dividend Unrestricted Cash up to its parent entities. Moreover, under certain of the Project Loan Documents, upon the occurrence of an event of default, the right of the Project Debtor to make payments to its affiliates for goods or

services (typically operations and maintenance fees and services, but sometimes also payments for power or gas) may be restricted or eliminated entirely.

9. Good cause has been shown for the entry of this Order, as an immediate and critical need exists for the Debtors to be permitted access to funds to continue to operate their businesses. Without such funds, the Debtors will not be able to, among other things, (i) permit the orderly continuation of the operation of their businesses, (ii) maintain business relationships with vendors, suppliers and customers, (iii) make payroll, (iv) make capital expenditures and (v) satisfy other working capital and operational needs. The Calpine Corp. Cash Collateral use arrangement authorized hereunder is vital to avoid immediate and irreparable harm to the Debtors' estates. Absent the use of the Calpine Corp. Cash Collateral, the Debtors' estates would not have necessary funds to satisfy their respective obligations.

10. In addition, in order to continue their operations and preserve liquidity, the Project Debtors need to be able to (a) allocate the Restricted Cash in accordance with any applicable Cash Waterfall Provisions and (b) distribute to their parent entities or otherwise allocate Unrestricted Cash, in each case notwithstanding (i) the existence of any defaults related to (a) the Chapter 11 Cases, including, without limitation, non-payment of prepetition amounts and/or default interest and cross-defaults, (b) the incurrence by any Debtor of liens and obligations in connection with the DIP Facility and (c) the making of any Project Intercompany Loan (as defined below) by any Debtor or the incurrence by any Debtor of indebtedness under a Project Intercompany Loan, and (ii) that such distributions may trigger an event of default under certain Project Loan Documents.

11. The use of the Calpine Corp. Cash Collateral, the Restricted Cash in accordance with applicable Cash Waterfall Provisions, the Unrestricted Cash and the adequate protection arrangements authorized hereunder are fair and reasonable under the circumstances, reflect the Debtors' exercise of prudent business judgment and are supported by reasonably equivalent value and fair consideration.

12. The notice requirements set forth in the Interim Order have been complied with and all objections to the entry of this Order have been overruled or withdrawn.

13. The Debtors have requested immediate entry of this Order pursuant to rule 4001 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). The Court concludes that entry of this Order allowing the Debtors the use of the (i) Calpine Corp. Cash Collateral, (ii) the Restricted Cash in accordance with applicable Cash Waterfall Provisions and (iii) the Unrestricted Cash is in the best interests of the Debtors and their estates and creditors as its implementation will, among other things, allow for the continued operation of the Debtors' existing businesses.

ACCORDINGLY, IT IS HEREBY ORDERED, ADJUDGED, DECREED AND, AS APPLICABLE, STIPULATED:

14. Subject to the terms and conditions of this Order, the Debtors are hereby authorized as of the date of the entry of this Order and until the occurrence of a Termination Event (as defined below) to (i) use the Calpine Corp. Cash Collateral (a) to pay the Debtors' ordinary and necessary business expenses, (b) to pay expenses related to the administration of the Debtors' estates and the Chapter 11 Cases, (c) to make adequate protection payments of principal and interest or other amounts as provided herein; and (d) as otherwise authorized and approved by this Court, (ii) use the Restricted Cash in accordance with any applicable Cash

Waterfall Provisions (notwithstanding (a) the existence of any defaults related to the Chapter 11 Cases, including, without limitation, non-payment of prepetition amounts or default interest and cross-defaults, (b) the incurrence by any Debtor of liens and obligations in connection with the DIP Facility and adequate protection arrangements contemplated hereby and (c) the making of any Project Intercompany Loan by any Debtor or the incurrence by any Debtor of indebtedness under a Project Intercompany Loan) and otherwise to make adequate protection payments as provided herein; (iii) distribute Unrestricted Cash to their parent entities that are Debtors in the Chapter 11 Cases via a Project Intercompany Loan notwithstanding the existence of an event of default or cross-default under the Project Loan Documents related to the commencement of the Chapter 11 Cases by, or the insolvency of, the Project Debtors or any affiliates of the Project Debtors or resulting from the failure by any Debtor to make any payment during the prepetition period and (iv) incur indebtedness under a Project Intercompany Loan; provided, however, that Calpine Greenleaf, Inc. (“Calpine Greenleaf”) shall also be authorized to use Restricted Cash to pay the prepetition portion of the invoices for maintenance and similar expenses set forth on **Schedule I** annexed hereto, to the extent payment of such invoices is reasonably necessary for the adequate protection of the interest of the project lenders for Calpine Greenleaf in any collateral pledged by the Debtors to secure obligations under the Greenleaf Project Documents (as defined below); provided, further, however, that neither the First Lien Trustee, the Second Lien Trustee, the Collateral Trustee, any Calpine Corp. Lienholder, any Project Lender nor any other party shall be entitled to exercise any remedy or take any other action under any of the Project Loan Documents or other documents solely as a result of the making of any Project Intercompany Loan by any Debtor or the incurrence by any Debtor of indebtedness under a Project Intercompany Loan; and provided, further, however, that nothing contained herein shall

constitute a waiver of any right of the First Lien Trustee, Second Lien Trustee, the Term Loan Agent, the Second Lien Committee, the Project Lenders or any other party to argue that it is entitled to adequate protection due to the diminution in value of its security interests and liens in the pledged stock in the first tier Calpine subsidiaries listed above which is included in the Calpine Corp. Collateral through the grant of liens in the assets of direct and indirect Calpine subsidiaries as security for the DIP Facility or of the right of the Debtors or the Official Committee (defined below) to contest such argument.

15. As adequate protection, which this Court finds is reasonable and necessary (i) to protect the Calpine First Lien Holders' interest in the Calpine Corp. Collateral during the Chapter 11 Cases, including the use of the Calpine Corp. Cash Collateral, pursuant to sections 361 and 363(e) of the Bankruptcy Code, (ii) for any diminution in value of the Calpine Corp. Collateral including, without limitation, from the use of the Calpine Corp. Cash Collateral and (iii) for the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code, the Court approves the following:

(a) The Calpine First Lien Holders are hereby granted valid, binding and enforceable (i) first priority replacement security interests in and replacement liens (the "Calpine Corp. First Replacement Liens") on the Calpine Corp. Collateral and (ii) junior priority replacement security interests in and replacement liens (the "First Subsidiary Replacement Liens" and, collectively with the Calpine Corp. First Replacement Liens, the "First Replacement Liens") on all property and interests, real and personal, tangible and intangible and all products and proceeds thereof, and accessions thereto, all inventory, accounts receivable, general intangibles, equipment, notes, documents, chattel paper, cash and interests in real property (whether owned or leased), whether now existing or hereafter arising, of all Debtors other than

Calpine (exclusive, in each case, of any avoidance actions available to the bankruptcy estates of the Debtors pursuant to sections 544, 545, 547, 548, 549, 550, 553(b) or 724(a) of the Bankruptcy Code or the proceeds thereof). The Calpine Corp. First Replacement Liens shall be equal to the extent of the aggregate diminution in value, if any, after the commencement of the Chapter 11 Cases (the "Petition Date"), of the Calpine Corp. Collateral, including the Calpine Corp. Cash Collateral, whether by use thereof or the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code. The Calpine Corp. First Subsidiary Replacement Liens shall be silent liens and shall be junior and subordinate to (i) any valid, perfected and unavoidable liens which existed on any asset of any Debtor other than Calpine as of the Petition Date (including, but not limited to, any and all such liens and security interests granted by Project Debtors in favor of Project Lenders); (ii) the Project Lender Replacement Liens (as hereinafter defined); provided however, that in the event that any pre-petition liens or security interests of the Calpine First Lien Holders were pari passu with the pre-petition liens or security interests of a Project Lender on any shared collateral, then the Calpine Corp. First Subsidiary Replacement Liens on such shared collateral will be pari passu with the Project Lender Replacement Liens of such Project Lender on such shared collateral, (iii) all liens on assets of any Debtor other than Calpine granted as security for the DIP Facility pursuant to the DIP Orders² (the "DIP Liens") and (iv) the Carve Out (as defined in the Final DIP Order).³ The First Lien Trustee shall not be entitled to undertake any action to realize upon or otherwise enforce any remedies in respect to the Calpine Corp. First Subsidiary Replacement Liens without the

² As used herein, the term "DIP Order" means the Interim DIP Order or the Final DIP Order, as the case may be.

³ Any capitalized term used herein but not defined herein shall have the meaning ascribed thereto in the Interim Cash Collateral Order or the Motion.

prior express written consent of (a) the Agents under the DIP Facility, prior to the payment in full in cash of all obligations due under the DIP Facility and the termination of the commitments of the lenders under the DIP Facility (the “DIP Lenders”) to make further advances or other extensions of credit under the DIP Facility and (b) any applicable Project Lender holding a valid, perfected and enforceable prepetition lien on assets of any Project Debtor in respect to which the First Lien Trustee is being granted a Calpine Corp. First Subsidiary Replacement Lien hereunder.

(b) Provided that no default or event of default under the DIP Facility shall have occurred and be continuing, the Debtors shall pay to the First Lien Trustee, for the benefit of the Calpine First Lien Holders, current payment of all accrued but unpaid interest (whether prepetition or postpetition) on the Calpine First Lien Indenture at the non-default contract rate set forth in the Calpine First Lien Indenture on the dates when due thereunder and all fees and disbursements (whether prepetition or postpetition and without the necessity of submission of a fee application) owed to the First Lien Trustee as set forth in the Calpine First Lien Indenture on the dates when due thereunder; provided, however, that nothing contained herein shall be deemed to constitute a waiver of any right of the First Lien Trustee to seek payment of interest accruing from and after the Petition Date at the default rate provided under the First Lien Indenture at any subsequent point in this case or of the Debtors or any party in interest to object thereto.

(c) The Debtors shall pay all reasonable fees (in the case of counsel and advisors, monthly or hourly fees, as applicable) and disbursements (whether prepetition or postpetition and without the necessity of submission of a fee application) of counsel for and the financial advisor to the First Lien Trustee (whether incurred prepetition or postpetition);

provided, however, that the First Lien Trustee shall deliver all copies of invoices submitted by its counsel and financial advisor to counsel for the Debtors and the Official Committee of Unsecured Creditors of Calpine (the “Official Committee”); provided, further, however, that the Debtors and the Official Committee receive copies of all invoices for such advisors and no objection is interposed within fifteen (15) days of the receipt of applicable invoices by the Debtors and the Official Committee. The rights of all parties shall be reserved with respect to any success, transaction or similar fees that may be sought by the advisors to the First Lien Trustee. To the extent an objection to any such invoices is interposed within the foregoing fifteen (15) day period, the applicable advisor shall be entitled to receive payment for those fees and expenses for which there is no objection and the objecting party and the applicable advisor shall seek to resolve any such objection within ten (10) days of such objection and, if the objection cannot be resolved either the advisor or the objecting party shall be permitted to seek a ruling by this Court as to the reasonableness of such fees and/or expenses on at least five (5) business days notice. The Debtors are authorized and directed to provide Jefferies & Company, Inc., as the financial advisor to the First Lien Trustee, with the same indemnity that is provided to Miller Buckfire & Co. (“MB”) in a non-interim order authorizing the retention of MB.

(d) The First Lien Trustee reserves all claims with respect to the order entered on December 16, 2005, by the Delaware Supreme Court directing restoration of \$312 million in sale proceeds to the Control Account and the Debtors reserve their rights to oppose (or to take any other action with respect to) any such actions or claims of the First Lien Trustee.

(e) Notwithstanding anything in this Order to the contrary, the Designated Asset Sale Proceeds in the Control Account shall remain on deposit in the Control Account and shall not be released for any purpose pending further order of this Court, following notice and a

hearing upon the filing of further pleadings. The Debtors and the First Lien Trustee acknowledge that (i) the Debtors provided notice in the Interim Order of their intent to seek authorization to apply the Designated Asset Sales Proceeds to pay principal under the First Lien Indenture and (ii) they presently dispute the extent, if any, that the First Lien Trustee would have an allowable claim for a make whole premium in connection with any such payment. The Debtors and First Lien Trustee and other parties in interest shall continue to engage in good faith negotiations regarding such issues; provided, however, that if they have not reached agreement by March 1, 2006, at any time thereafter upon at least five (5) days written notice to the other parties, the Debtors, the Official Committee or the First Lien Trustee may file a motion or other appropriate pleading with this Court seeking an adjudication of these issues.

(f) Subject to the specific terms set forth in paragraph 15, if the adequate protection arrangements provided to the Calpine First Lien Holders described herein are terminated, (i) the Calpine First Lien Holders may seek Bankruptcy Court approval to revoke the Debtors' right to use the Calpine First Lien Holders' cash collateral upon not less than five (5) business days notice to the Debtors and the Official Committee, (ii) the Calpine First Lien Holders may seek additional or different forms of adequate protection, and/or (iii) the Calpine First Lien Holders may seek relief from the automatic stay imposed by section 362(a) of the Bankruptcy Code or other appropriate relief.

16. As adequate protection, which this Court finds is reasonable and necessary (i) to protect the Calpine Second Lien Holders' interest in the Calpine Corp. Collateral, including the use of the Calpine Corp. Cash Collateral, pursuant to sections 361 and 363(e) of the Bankruptcy Code, (ii) for any diminution in value of the Calpine Corp. Collateral including, without limitation, from the use of the Calpine Corp. Cash Collateral and (iii) for the imposition

of the automatic stay pursuant to section 362 of the Bankruptcy Code, the Court approves the following:

(a) The Calpine Second Lien Holders are hereby granted valid, binding and enforceable (i) second priority replacement security interests in and replacement liens (the “Calpine Corp. Second Replacement Liens”) on the Calpine Corp. Collateral and (ii) junior priority replacement security interests in and replacement liens (the “Calpine Corp. Second Subsidiary Replacement Liens”) and, collectively with the Calpine Corp. Second Replacement Liens, the “Second Replacement Liens”) on all property and interests, real and personal, tangible and intangible, and all products and proceeds thereof, and accessions thereto, all inventory, accounts receivable, general intangibles, equipment, notes, documents, chattel paper, cash and interests in real property (whether owned or leased), whether now existing or hereafter arising, of all Debtors other than Calpine (exclusive, in each case, of any avoidance actions available to the bankruptcy estates of the Debtors pursuant to sections 544, 545, 547, 548, 549, 550, 553(b) or 724(a) of the Bankruptcy Code or the proceeds thereof); provided, however, that the Calpine Corp. Second Replacement Liens shall be subordinate and junior to the Calpine Corp. First Replacement Liens. The Second Replacement Liens shall be equal to the extent of the aggregate diminution in value, if any, after the Petition Date, of the Calpine Corp. Collateral, including the Calpine Corp. Cash Collateral, whether by use thereof or the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code. The Calpine Corp. Second Subsidiary Replacement Liens shall be silent liens and shall be junior and subordinate to (i) any valid, perfected and unavoidable liens which existed on any asset of any Debtor other than Calpine as of the Petition Date (including, but not limited to, any and all such liens and security interests granted by Project Debtors in favor of Project Lenders); (ii) the Calpine Corp. First Subsidiary

Replacement Liens, (iii) the Project Lender Replacement Liens; provided however, that in the event that any pre-petition liens or security interests of the Calpine Second Lien Holders were pari passu with the pre-petition liens or security interests of a Project Lender on any shared collateral, then the Calpine Corp. Second Subsidiary Replacement Liens on such shared collateral will be pari passu with the Project Lender Replacement Liens on such shared collateral, (iv) the DIP Liens and (v) the Carve Out (as defined in the Final DIP Order). The Second Lien Trustee agrees that it shall not be entitled to undertake any action to realize upon or otherwise enforce any remedies in respect to the Calpine Corp. Second Subsidiary Replacement Liens without the express written consent of (a) the Agent under the DIP Facility, prior to the payment in full of all obligations due under the DIP Facility and the termination of the lenders' commitments to make further advances or other extensions of credit under the DIP Facility and (b) any applicable Project Lender holding a valid, perfected and enforceable prepetition lien on assets of any Project Debtor in respect to which the Second Lien Trustee is being granted a Calpine Corp. Second Subsidiary Replacement Lien hereunder.

(b) Provided that no default or event of default under the DIP Facility shall have occurred and be continuing, the Debtors shall timely pay to the applicable Second Lien Trustee and Term Loan Agent (as defined below) of the Calpine Second Lien Debt for the ratable benefit of the Calpine Second Lien Holders (based upon outstanding principal amount), \$78 million on March 31, 2006 and \$78 million on June 30, 2006 (the "Periodic Cash Payments"). Absent further order of this Court, the Debtors shall not be required to make any additional payments to the Calpine Second Lien Holders in 2006 beyond such payments. Any payments beyond December 31, 2006 shall be mutually agreed upon by the Debtors, the Official Committee and the ad hoc committee of the Calpine Second Lien Holders (the "Second Lien

Committee” and together with the Official Committee, the “Committees”) prior to December 31, 2006 and shall be subject to the consent of the DIP Lenders and the approval of this Court, after notice and a hearing. The First Lien Trustee expressly reserves all rights to object to any proposed adequate protection payments to the Calpine Second Lien Debt except for the payments specified above to be made on March 31 and June 30, 2006. In the event that such parties are unable to so agree prior to December 31, 2006, any of such parties may seek appropriate relief from the Court on an expedited basis; provided, however, that any relief granted by the Court shall not amend the terms of the DIP Facility. All rights of all parties (including, but not limited to, the First Lien Trustee) shall be expressly reserved with respect to payment of post-petition interest (including default interest) and all rights of the parties shall be expressly reserved with respect to the ultimate characterization of the Periodic Cash Payments; provided, however, that the compromise and settlement embodied herein and adequate protection being provided to the Calpine Second Lien Holders shall be in exchange for the agreement by the Calpine Second Lien Holders that, to the extent they receive the payments provided for herein, they shall not be entitled to and hereby waive (i) any claim for or entitlement to interest at the default rate that they may have accrued during the period from January 1, 2006 through and including June 30, 2006 and (ii) any claim for or entitlement to any makewhole amount or any pre-payment premium or penalty to the extent that such Periodic Cash Payment is ultimately recharacterized as a payment of principal. If the Debtors fail to make either of the Periodic Cash Payments within the timeframes set forth above, the Second Lien Committee may, upon five (5) business days notice to the Company and the Official Committee, terminate their adequate protection arrangements described herein without the need for further order of this Court.

(c) The Debtors shall no later than 15 days following receipt of any invoice therefor pay all reasonable fees (in the case of counsel and advisors, monthly or hourly fees, as applicable) and disbursements (whether prepetition or postpetition and without the necessity of submission of a fee application) of (i) U.S. and Canadian counsel for and the financial and technical advisors to the Second Lien Committee, (ii) the Second Lien Trustee and counsel for the Second Lien Trustee, and (iii) the Agent under the Calpine Second Lien Term Loan (the "Term Loan Agent") and counsel for the Term Loan Agent; provided, however, that the Second Lien Committee, the Second Lien Trustee and the Term Loan Agent shall deliver copies of their respective invoices, as applicable, and all invoices submitted by their respective counsel and advisors, in each case to counsel for the Official Committee; provided, further, however, that the Debtors and the Official Committee receive copies of all invoices for such parties and no objection is interposed within fifteen (15) days of the receipt of applicable invoices by the Debtors and the Official Committee. To the extent an objection to any such invoices is interposed within the foregoing fifteen (15) day period, the applicable advisor shall be entitled to receive payment for those fees and expenses for which there is no objection and the objecting party and the applicable advisor shall seek to resolve any such objection within ten (10) days of such objection and, if the objection cannot be resolved either the advisor or the objecting party shall be permitted to seek a ruling by this Court as to the reasonableness of such fees and/or expenses on at least five (5) business days notice. In addition, the Term Loan Agent reserves the right to propose to the Debtors and the Official Committee at a later date that the fees and expenses of any financial advisor retained by the Term Loan Agent should be paid out of the Debtors' estates, and the Debtors and the Official Committee reserve their right to object to such a proposal. The Debtors, the Official Committee and the Second Lien Committee shall promptly

and collectively consider any proposed success, transaction or similar fees that Houlihan Lokey Howard & Zukin ("Houlihan"), MB or Lazard Freres LLC may seek upon consummation of a plan(s) of reorganization for the Debtors' chapter 11 cases. Any such success, transaction or similar fee that shall be payable to Houlihan shall constitute additional adequate protection hereunder and shall be the subject of a further order of the Court related hereto.

(d) The DIP Facility shall only be utilized directly or indirectly for purposes that maximize or sustain the overall enterprise value of Calpine, including, without limitation, its direct and indirect equity interests; provided, however, that any breach of the foregoing shall not in any way impair, prejudice, alter or modify the rights of the agents under the DIP Facility (the "DIP Agents") or the DIP Lenders to enforce their rights under the DIP Facility and the Final DIP Order. In furtherance of the foregoing:

- (i) On or before the date which is thirty (30) days after entry of this Order (the "Determination Date"), the Debtors and the Committees, in consultation with the First Lien Trustee, shall agree upon (i) a list of those projects and facilities of the Debtors that do not meet the above-stated criteria (collectively, the "Designated Projects") and (ii) a list of those projects and facilities of the Debtors that require (in the exercise of reasonable business judgment) such further analysis to determine if they meet such criteria (collectively, the "Projects under Review"); provided, however, that neither Geysers Power Company, LLC, Calpine Construction Finance Company, L.P., Calpine Generating Company, LLC, Rocky Mountain Energy Center, LLC nor their respective direct or indirect parents or subsidiaries shall be designated as Designated Projects or Projects under Review.
- (ii) Except as may be agreed to by the Debtors and the Committees, in consultation with the First Lien Trustee, from and after the Determination Date, unless otherwise ordered by the Court, the Debtors shall not, directly or indirectly (i) provide any funding, including advancing any amounts available under the DIP Facility, to or for the benefit of the Designated Projects or (ii) make any payments to or for the benefit of the Designated Projects under tolling or other intercompany agreements.

- (iii) If the Debtors and the Committees are unable to reach the agreements described above within the timeframe set forth in paragraph 16(d)(i), then the Second Lien Committee may, upon fifteen (15) calendar days notice to Calpine, the Official Committee and the First Lien Trustee, terminate the adequate protection arrangements approved hereby.
- (iv) On or before the date which is forty-five (45) days after the Determination Date (the “Secondary Date”), the Debtors and the Committees, in consultation with the First Lien Trustee, shall agree upon those Projects under Review that shall thereafter be Designated Projects and those which shall not.
- (v) If the Debtors and the Committees are unable to reach the agreements described above within the timeframe set forth in paragraph 16(d)(iv) hereof, then the Second Lien Committee may, upon fifteen (15) calendar days notice to the Calpine, the Official Committee and the First Lien Trustee, seek court approval to terminate the adequate protection arrangements approved hereby.
- (vi) Except as may be agreed to by the Debtors and the Committees, in consultation with the First Lien Trustee, between the date of entry of this Order through and including the Secondary Date, the Debtors shall not, directly or indirectly, provide any funding, including advancing any amounts available under the DIP Facility, to or for the benefit of any projects or facilities (excluding Geysers Power Company, LLC, Calpine Construction Finance Company, L.P., Calpine Generating Company, LLC, Rocky Mountain Energy Center, LLC and their respective direct or indirect parents or subsidiaries) except amounts required by such entities to discharge obligations arising in the ordinary course of business (including, without limitation, customary and scheduled maintenance); provided, however, the Designated Projects shall also be subject to the restrictions contained in paragraph 16(d)(ii) above.
- (vii) At any time following the Secondary Date, the Debtors, the Official Committee or the Second Lien Committee (the “Noticing Party”) may provide notice to the other two parties and the First Lien Trustee (the “Receiving Parties”) of projects and/or facilities that the Noticing Party believes (in the exercise of reasonable judgment) should be added to or removed from the definition of Designated Projects. The Receiving Parties shall respond to the Noticing Party within ten (10) business days of receiving such notice whether they concur with such addition or removal.
- (viii) In the event that the Debtor is a Noticing Party and either the Official Committee or the Committee does not concur, then either

of the Committees may seek appropriate relief from this Court on an expedited basis. The projects and/or facilities shall be added to or removed from the definition of Designated Projects within twenty (20) days, absent a ruling by this Court.

- (ix) In the event that either of the Committees is the Noticing Party and the Debtors do not concur, then either of the Committees may seek appropriate relief from this Court on an expedited basis. Such projects and/or facilities shall only be added to or removed from the definition of Designated Projects upon a ruling by this Court. Pending the above-contemplated rulings by this Court, the Debtors shall fund or advance, to the extent necessary, only those amounts which are essential to the continued operation of the relevant projects and/or facilities.

(e) On or before the Secondary Date, the Debtors and the Committees shall use commercially reasonable efforts to agree upon and implement risk management policies for Calpine Energy Services, LP and Calbear Energy L.P.'s activities.

(f) The Second Lien Trustee reserves all claims with respect to the order entered on December 16, 2005, by the Delaware Supreme Court directing restoration of \$312 million in sale proceeds to the Control Account and the Debtors reserve their rights to oppose (or to take any other action with respect to) any such actions or claims of the Second Lien Trustee.

(g) Notwithstanding anything contained herein to the contrary, the Debtors shall provide the Committees and First Lien Trustee with the same financial information required to be provided to the lenders under the DIP Facility. In addition, the Debtors shall provide the Committees and First Lien Trustee with agreed-upon financial information necessary for the Committees and First Lien Trustee to, among other things, make the determinations and agreements contemplated hereby.

(h) Subject to the specific terms set forth in paragraph 16, if the adequate protection arrangements provided to the Calpine Second Lien Holders described herein are terminated, (i) the Calpine Second Lien Holders may seek Bankruptcy Court approval to revoke

the Debtors' right to use the Calpine Second Lien Holders' cash collateral upon not less than five (5) business days notice to the Debtors and the Official Committee, (ii) the Calpine Second Lien Holders may seek additional or different forms of adequate protection, and/or (iii) the Calpine Second Lien Holders may seek relief from the automatic stay imposed by section 362(a) of the Bankruptcy Code or other appropriate relief.

17. As adequate protection, which this Court finds is reasonable and necessary (i) to protect the Project Lenders' interest in collateral pledged by the Project Debtors to secure the applicable Project Debtor's obligations under the applicable Project Loan Documents (the "Project Lender Collateral"), including the use of the Restricted Cash and the Unrestricted Cash, pursuant to sections 361 and 363(e) of the Bankruptcy Code, (ii) for any diminution in value of the Project Lender Collateral, including, without limitation, from the use of the Restricted Cash in accordance with the applicable Cash Waterfall Provisions, the use of the Unrestricted Cash in accordance with the terms of this Order and the use of the Project Lender Collateral and (iii) for the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code, the Court approves the following:

(a) Each Project Lender shall receive (i) current payment of all accrued but unpaid interest and fees (whether prepetition or postpetition, including, without limitation, letter of credit and agency fees) at the non-default contract rates set forth under such Project Loan Documents (which contract rates, for avoidance of doubt, shall, with respect to any obligations of CalGen Holdings, Inc. or its subsidiaries in respect of any amounts drawn under letters of credit during these Chapter 11 Cases, be determined by reference to the "Base Rate" provided for in the applicable Project Loan Document) and principal (whether prepetition or postpetition) as such interest and/or principal would become due and payable absent a default or event of default

under the applicable Project Loan Documents, (ii) reasonable fees (in the case of counsel and advisors, monthly or hourly fees, as applicable) and disbursements including, without limitation, the fees of counsel and financial advisors to the indenture trustees and/or agents under the Project Loan Documents (in each case whether prepetition or postpetition and without the necessity of submission of a fee application) to the extent provided for under such Project Loan Documents and (iii) payment of the prepetition portion of the invoices for maintenance and similar expenses set forth on **Schedule I** annexed hereto, to the extent payment of such invoices is reasonably necessary for the adequate protection of the interest of the project lenders for Calpine Greenleaf in any collateral pledged by the Debtors to secure obligations under the Greenleaf Project Documents; provided, however, that no principal payments on indebtedness owed by CalGen Holdings, Inc. or its subsidiaries during these Chapter 11 Cases shall be paid absent further order of this Court and a determination, if necessary, of any intercreditor issues relating thereto; provided, further, however, the Debtors and the Official Committee receive copies of all invoices for such advisors and no objection is interposed within fifteen (15) days of the receipt of the applicable invoices by the Debtors and the Official Committee; provided, further, however, that to the extent an objection to any such invoices is interposed within the foregoing fifteen (15) day period, the applicable advisor shall be entitled to receive payment for those fees and expenses for which there is no objection and the objecting party and the applicable advisor shall seek to resolve any such objection within ten (10) days of such objection and, if the objection cannot be resolved either the advisor or the objecting party shall be permitted to seek a ruling by this Court as to the reasonableness of such fees and/or expenses on at least five (5) business days notice; provided, further, however, that nothing contained herein shall be deemed to constitute a waiver of any right of a Project Lender to seek payment of interest accruing from

and after the Petition Date at the rate provided under the applicable Project Loan Documents (including without limitation at the default or other applicable rate) at any subsequent point in the Chapter 11 Cases or of the Debtors or any party in interest to object thereto; provided, further, however, that with respect to a Project Debtor's obligation to pay interest, fees and/or principal and professional fees and expenses hereunder, such obligation shall cease upon the earlier to occur of (i) a Termination Event with respect to such Project Debtor or (ii) the date that falls twenty (20) days after receipt by the Project Lender of notice that the Project Debtor and DIP Lenders have determined to allow the applicable Project Lender to foreclose upon such Project Lender's collateral. In connection with the foregoing, each indenture trustee, collateral agent or similar entity under a Project Loan Document shall be required to honor all borrowing certificates, draw-down or transfer requests or similar documents provided to such indenture trustee by a Project Debtor notwithstanding that such documents represent that there may be defaults related to (i) the Chapter 11 Cases, including, without limitation, non-payment of prepetition amounts and/or default interest and cross-defaults, (ii) the incurrence by any Debtor of liens and obligations in connection with the DIP Facility, (iii) the making of any Project Intercompany Loan by any Debtor or the incurrence by any Debtor of indebtedness under a Project Intercompany Loan and (iv) in the case of CalGen Holdings, Inc. or its subsidiaries, the non-payment of principal payments.

(b) The Project Debtors shall, except as provided herein, continue to comply with all provisions of the applicable Project Loan Documents, including (i) the Cash Waterfall Provisions and (ii) any provisions providing for the reasonable fees and disbursements of counsel and other consultants of the Project Lenders.

(c) The Project Lenders are hereby granted valid, binding and enforceable replacement security interests in and replacement liens on all prepetition and postpetition property (including, without limitation, each Project Intercompany Loan) and proceeds thereof (exclusive of any avoidance actions available to the bankruptcy estates of the applicable Project Debtors pursuant to sections 544, 545, 547, 548, 549, 550, 553(b) or 724(a) of the Bankruptcy Code or the proceeds thereof) of the respective Debtors of whom each such Project Lender is a creditor, and such replacement liens and replacement security interests (collectively, the “Project Lender Replacement Liens” and together with the Calpine Corp. First Replacement Liens and the Second Replacement Liens, the “Replacement Liens”) shall (i) be equal to the extent of the aggregate diminution in value, if any, after the Petition Date, of a Project Lender’s particular Project Lender Collateral, whether by use or the imposition of the automatic stay pursuant to section 362 of the Bankruptcy Code; (ii) have the relative priority between and among the Project Lenders that each Project Lender’s prepetition liens possess in accordance with any intercreditor arrangements and/or applicable law; and (iii) solely with respect to liens on property that, but for the commencement of the applicable Project Debtors’ bankruptcy case, would constitute Project Lender Collateral, be first priority liens, senior to all other liens, including liens to secure the DIP Facility; provided, however, that the Replacement Liens shall be subject to the payment of the Carve Out.

(d) The Replacement Liens shall constitute valid and duly perfected security interests and liens as of the Petition Date, and the First Lien Trustee, the Second Lien Trustee, the Term Loan Agent, any trustee or agent under the Project Loan Documents and any Calpine Corp. Lienholder or Project Lender, as the case may be, shall not be required to file or serve financing statements, notices of lien or similar instruments which otherwise may be required

under federal or state law in any jurisdiction, or take any action, including taking possession, to validate and perfect such security interests and liens.

18. In addition to the Replacement Liens granted to the Calpine Corp. Lienholders and the Project Lenders pursuant to this Order, pursuant to sections 503(b)(1), 507(a) and 507(b) of the Bankruptcy Code, (i) the Calpine Corp. Lienholders are hereby granted “superpriority” administrative claims (the “Calpine Corp. 507(b) Claims”) against the estates as to which they hold pre-petition secured claims, (ii) the Calpine Corp. Lienholders are hereby granted “superpriority” administrative claims (the “Subsidiary 507(b) Claims”) against the estates as to which they do not hold pre-petition secured claims and (iii) the Project Lenders respectively are hereby granted “superpriority” administrative claims (the “Project 507(b) Claims” and together with the Calpine Corp. 507(b) Claims and the Subsidiary 507(b) claims, the “507(b) Claims”) against the respective estates as to which they hold pre-petition secured claims. Such 507(b) Claims shall be for the amount by which adequate protection afforded herein for any diminution of value of the Calpine Corp. Collateral, the Calpine Corp. Cash Collateral or the Project Lender Collateral, as applicable, from and after the Petition Date proves to be inadequate. Such 507(b) Claims shall be allowed and shall have priority over all other costs and expenses of the kind specified in or ordered pursuant to sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b) or 726 of the Bankruptcy Code; provided, however, that the 507(b) Claims shall be junior and subordinate to any claims granted to the DIP Agents and any DIP Lender by the DIP Order and subject to the payment of the Carve Out; provided, further, however; that the 507(b) Claims granted to the Calpine Second Lien Holders shall be junior to the 507(b) Claims granted to the Calpine First Lien Holders; provided, further, however; that the Subsidiary 507(b) Claims shall be junior to the Project 507(b) Claims; provided, further,

however, that the Project 507(b) Claims shall have the relative priority between and among the Project Lenders that each Project Lender's prepetition claims possess in accordance with any intercreditor arrangements and/or applicable law; provided, further, however, that the Subsidiary 507(b) Claims may be paid under any plan of reorganization of the relevant Debtor in any combination of cash, debt, equity or other property having a value on the effective date of such plan equal to the allowed amount of such claims; provided, further, however, that with respect to proceeds of any avoidance actions available to the bankruptcy estates of the Debtors pursuant to sections 544, 545, 547, 548, 549, 550, 553(b) or 724(a) of the Bankruptcy Code, 507(b) Claims shall share in such proceeds on a pari passu basis with general unsecured claims at the applicable Debtor.

19. As adequate protection to any Debtor (each, an "Adequately Protected Debtor") that, following the Petition Date, transfers property (including cash) to or for the benefit of any other Debtor (a "Beneficiary Debtor") having a fair value (net of any post-petition reasonable expenses for overhead or other services reasonably allocated or reasonably charged to the Adequately Protected Debtor) in excess of the fair value of the property (including cash) or benefit received post-petition by such Adequately Protected Debtor from the Beneficiary Debtor, such Adequately Protected Debtor shall have (i) an allowed claim against the Beneficiary Debtor under sections 364(c)(1) and 507(b) of the Bankruptcy Code having priority over any and all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code (a "Junior Reimbursement Claim") and (ii) a lien on all property of the Beneficiary Debtor's estate under section 364(c)(2) and (3) of the Bankruptcy Code securing such Junior Reimbursement Claim (each, a "Junior Reimbursement Lien"). Any Junior Reimbursement Claim and Junior Reimbursement Lien shall be subject to and junior only to (i) the Carve out and

(ii) any claims granted to the DIP Agent and the DIP Lenders pursuant to the DIP Orders and the DIP Liens; provided, however, that a Junior Reimbursement Claim or Junior Reimbursement Lien may be paid under any plan of reorganization of the relevant Debtor in any combination of cash, debt, equity or other property having a value on the effective date of such plan equal to the allowed amount of such claim. All parties shall be deemed to have reserved their rights with respect to (i) any resulting intercompany balances as a result of intercompany transactions; (ii) the pricing under intercompany arrangements; (iii) allocation of costs, fees and expenses incurred by the various Debtor entities in connection with intercompany transactions for both prepetition and postpetition periods; and (iv) the contribution rights and subrogation rights, if any, that any Debtor may have against another Debtor in respect of prepetition or postpetition transactions and liabilities. For purposes of clarification, this paragraph applies to all Debtors, including, without limitation, Rumford Power Associates Limited Partnership, Tiverton Power Associates Limited Partnership, South Point Energy Center, LLC, Broad River Energy LLC, RockGen Energy LLC, South Point Holdings, LLC, Broad River Holdings, LLC, and Calpine Northbrook Project Holdings, LLC.

20. Any and all distributions by Project Debtors of Unrestricted Cash or other assets to their parent entities shall constitute loans (each, a “Project Intercompany Loan”), each of which shall constitute a Junior Reimbursement Claim of the applicable Project Debtor; provided, however, neither the First Lien Trustee, the Second Lien Trustee, the Collateral Trustee, any Calpine Corp. Lienholder, any Project Lender nor any other party shall be entitled to exercise any remedy or take any other action under any of the Project Loan Documents or other documents solely as a result of the making of any Project Intercompany Loan by any Debtor or the incurrence by any Debtor of indebtedness under a Project Intercompany Loan. For

purposes of clarification, this paragraph applies to all Debtors, including, without limitation, Rumford Power Associates Limited Partnership, Tiverton Power Associates Limited Partnership, South Point Energy Center, LLC, Broad River Energy LLC, RockGen Energy LLC, South Point Holdings, LLC, Broad River Holdings, LLC, and Calpine Northbrook Project Holdings, LLC.

21. At no time shall the Debtors, the Official Committee or any other person or entity have the right to use the Calpine Corp. Collateral, including the Calpine Corp. Cash Collateral to (i) object to or contest in any manner, or raise any defenses to, the validity, perfection, priority, enforceability or amount of any of the First Lien Obligations, the Calpine Second Lien Debt, the Calpine Corp. Collateral or the Calpine Corp. Cash Collateral, (ii) to assert or prosecute any defense, counterclaim or offset to any of the First Lien Obligations, the Calpine Second Lien Debt or the Calpine Corp. Collateral or to assert or prosecute any action for preferences, fraudulent conveyances, other avoidance power claims or any other claims or causes of action against the Calpine Corp Lienholders or any of their respective agents, advisors or counsel (including the First Lien Trustee, the Second Lien Trustee, the Term Loan Agent and the Collateral Agent) in respect of the Calpine First Lien Debt or Calpine Second Lien Debt; (iii) prevent, hinder or otherwise delay the First Lien Trustee's, Second Lien Trustee's, the Term Loan Agent's, Collateral Agent's or any Calpine Corp. Lienholder's assertion, enforcement or realization on its collateral in accordance with this Order, (iv) seek to modify any of the rights granted to the First Lien Trustee, Second Lien Trustee, the Term Loan Agent, Collateral Agent or any Calpine Corp. Lienholder hereunder, without such parties' prior written consent (collectively, the "Calpine Corp. Lienholder Claims and Defenses"); provided, however, that the Calpine Corp. Cash Collateral (excluding funds in the Control Account) may be used to perform investigations regarding Calpine Corp. Lienholder Claims and Defenses. The Debtors, the

Official Committee or other person or entity shall have the right to assert Calpine Corp. Lienholder Claims and Defenses only in an action commenced in this Court on or before July 30, 2006 or such later date as may be agreed to among the Debtors, the Official Committee, the First Lien Trustee, the Second Lien Trustee and/or Term Loan Agent, as applicable, or as otherwise ordered by the Court for cause shown, after notice and a hearing (the “Investigation Termination Date”). If no such action is commenced on or before the Investigation Termination Date, all Calpine Corp. Lienholder Claims and Defenses shall be deemed, immediately and without further action by the Calpine Corp Lienholders, the First Lien Trustee, the Second Lien Trustee or Term Loan Agent, to have been forever relinquished and waived as to all such persons. If such an action is commenced on or before such date, all Calpine Corp. Lienholder Claims and Defenses shall be deemed, immediately and without further action by the Calpine Corp Lienholders, the First Lien Trustee, the Second Lien Trustee or Term Loan Agent, to have been forever relinquished and waived except with respect to Calpine Corp. Lienholder Claims and Defenses that are expressly asserted in such action. The terms of this Order shall be without prejudice to the right of the Debtors, the Official Committee or other person or entity to commence and prosecute Calpine Corp. Lienholder Claims and Defenses as set forth above.

22. Notwithstanding anything in this Order, no 507(b) Claim, Junior Reimbursement Claim, Junior Reimbursement Lien or Project Intercompany Loan may be paid (or repaid) unless and until all obligations outstanding under the DIP Facility have been paid, in full, in cash, and all commitments to make further advances or other extensions of credit under the DIP Facility have been cancelled.

23. At no time shall the Debtors, the Official Committee or any other person or entity have the right to use the Project Lender Collateral, including Restricted Cash and

Unrestricted Cash, to (i) object to or contest in any manner, or raise any defenses to, the validity, perfection, priority, enforceability or amount of any of the Project Lender Collateral, (ii) to assert or prosecute any defense, counterclaim or offset to any of the Project Lender Collateral or to assert or prosecute any action for preferences, fraudulent conveyances, other avoidance power claims or any other claims or causes of action against the Project Lenders or any of their respective agents, advisors or counsel in respect of the Project Lender Collateral, (iii) prevent, hinder or otherwise delay the Project Lenders' assertion, enforcement or realization on their respective collateral in accordance with this Order, or (iv) seek to modify any of the rights granted to the Project Lenders hereunder, without the prior written consent of the applicable Project Lender(s) (collectively, the "Project Lender Claims and Defenses"); provided, however, that the Project Lender Collateral may be used to perform investigations regarding Claims and Defenses. The terms of this Order shall be without prejudice to the right of the Debtors, the Official Committee or other person or entity to commence and prosecute Project Lender Claims and Defenses as set forth above.

24. Except as expressly set forth herein, nothing in this Order shall constitute a waiver by the Calpine Corp. Lienholders or the Project Lenders of the right to request additional adequate protection or relief or modification of the automatic stay or any other rights, claims or privileges of any kind, and nothing in this Order shall constitute a waiver of the Debtors' rights to oppose any such action by the Calpine Corp. Lienholders or request different relief or other treatment or to request reductions in or modifications to the adequate protection and relief provided hereunder; and nothing in this Order shall constitute a waiver of any right of any Project Lender under any intercreditor or like agreement with respect to payments and/or other adequate protection granted to any other Project Lender in this Order.

25. During the chapter 11 cases, Calpine shall continue to file on a timely basis all reports due to be filed with the Securities and Exchange Commission.

26. Upon reasonable written notice to the Debtors by the First Lien Trustee, the Second Lien Trustee, the Term Loan Agent or the Official Committee (or any Project Lender to the extent already allowed by, and subject to the terms of, the Project Loan Documents), as the case may be, such person shall have access to, and the right to examine, the Debtors' books, records and the Calpine Corp. Collateral or the Project Lender Collateral, as the case may be. In addition, upon receipt by the Debtors of a written detailed request for specific documents from the First Lien Trustee, the Second Lien Trustee, the Term Agent, the Official Committee or the Project Lenders, the Debtors shall provide the requesting party with such documents to the extent they are required to provide, and have already provided, such documents to the lenders under the DIP Facility in accordance with the terms of the DIP Facility or any order of this Court approving the DIP Facility.

27. Subject to paragraph 16, an event establishing grounds for the First Lien Trustee, Second Lien Trustee, the Term Loan Agent, Second Lien Committee and a Project Lender, as applicable, to seek the termination of an individual Debtor's right to use (i) the Calpine Corp. Cash Collateral, (ii) the Restricted Cash of such Debtor in accordance with the Cash Waterfall Provisions of the applicable Project Loan Documents and/or (iii) Unrestricted Cash of such Debtor, in each case pursuant to this Order (a "Termination Event") shall occur upon (a) the failure of such Debtor to make any payment required by this Order to be made by such Debtor, unless cured or waived by the applicable party by the fifth (5th) business day following the delivery of written notice to such Debtor, the Official Committee and the applicable Project Lender, if any, by the applicable party asserting nonpayment, (b) the failure of

such Debtor to comply with any other term or provision of this Order applicable to such Debtor, unless cured or waived by the applicable party by the fifth (5th) business day following the delivery of written notice to such Debtor, the Official Committee and the applicable Project Lender, if any, by the applicable party asserting noncompliance by such Debtor with the terms of this Order, (c) the conversion of Calpine's chapter 11 case to a chapter 7 case, (d) the entry of an order in Calpine's chapter 11 case appointing an examiner having expanded powers to operate or manage the financial affairs of any of the Debtors (beyond those set forth under sections 1106(a)(3) and (4) of the Bankruptcy Code), (e) the filing of a plan of reorganization by the Debtors, without the consent of the First Lien Trustee or the Second Lien Committee that does not propose to satisfy the claims owed under the Calpine First Lien Indenture or in respect of the Calpine Second Lien Debt, as the case may be, in accordance with applicable provisions of the Bankruptcy Code; provided, however, that a Termination Event pursuant to section (e) of this paragraph shall not terminate the Project Debtors' right and ability to use the Project Lender Collateral, including the Restricted Cash and the Unrestricted Cash, pursuant to the terms of this Order, (f) the termination of such Debtor's adequate protection arrangements described herein, and (g) the termination of the DIP Facility (subject to applicable term and waiver periods).

28. Except to the extent of the Carve Out, no expenses of administration of the Chapter 11 Cases or any future proceeding which may result therefrom, including liquidation in bankruptcy or other proceedings under the Bankruptcy Code, shall be charged against or recovered from the Calpine Corp. Collateral, the Calpine Corp. First Replacement Liens or the Calpine Corp. Second Replacement Liens, pursuant to section 506(c) of the Bankruptcy Code or any similar principle of law, without the prior written consent of the First Lien Trustee or the Second Lien Committee, as the case may be, and no such consent shall be implied from any

other action, inaction or acquiescence by the First Lien Trustee or the Second Lien Committee, as the case may be, or any of the Calpine First Lien Holders or Calpine Second Lien Holders.

29. Except as expressly permitted under this Order and except for the liens and claims granted pursuant to the DIP Order, no claim or lien having priority to or superiority to or ranking *pari passu* with those granted by this Order to the First Lien Trustee, the Second Lien Trustee, the Adequately Protected Debtors, the Term Loan Agent and the Project Lenders, respectively, shall be granted or allowed while any portion of the obligations due to each of them respectively remain outstanding and the Replacement Liens granted to each of them hereunder shall not be (i) subject to or junior to any lien or security interest that is avoided or preserved for the benefit of the Debtors' estates under section 551 of the Bankruptcy Code or (ii) subordinated to or made *pari passu* with any other lien or security interest whether under Section 364(d) of the Bankruptcy Code or otherwise.

30. Except as expressly provided in this Order, the liens and superpriority claims granted to the First Lien Trustee, Second Lien Trustee, the Adequately Protected Debtors, the Term Loan Agent and Project Lenders under this Order shall survive, and shall not be modified, impaired or discharged by (i) the entry of an order converting any of the Chapter 11 Cases to a case under chapter 7, dismissing any of the Chapter 11 Cases, terminating the joint administration of the Chapter 11 Cases or being another act or omission or (ii) the entry of an order confirming a plan of reorganization in any of the Chapter 11 Cases. The terms and provisions of this Order shall continue in these Chapter 11 Cases and any successor cases or superseding cases under the Bankruptcy Code and the replacement liens, superpriority claims, and all other rights and remedies granted to the First Lien Trustee, Second Lien Trustee, the Adequately Protected Debtors, the Term Loan Agent, the Second Lien Committee and Project

Lenders pursuant to this Order shall continue in full force and effect during such successor or superseding cases.

31. The provisions of this Order, including all findings therein, shall be binding upon all parties in interest in the Chapter 11 Cases and shall inure to the benefit of the First Lien Trustee, the Second Lien Trustee, the Adequately Protected Debtors, the Term Loan Agent, the Second Lien Committee and the Project Lenders respectively and their respective successors and assigns.

32. The Debtors shall promptly mail copies of this Order to the parties having been given notice of the Final Hearing, and to any other party that has filed a request for notices with this Court and to any Committee after the same has been appointed, or Committee counsel, if the same shall have been appointed.

33. To the extent not withdrawn on the record at the Final Hearing, all objections to the Motion are hereby overruled.

34. This Order replaces the Interim Order in its entirety, and the Interim Order shall have no further legal effect as of the date hereof.

35. The subject of this Order is a “core” proceeding within the meaning of 28 U.S.C. § 157. This Order shall be fully effective upon its entry.

36. Nothing in this Order shall in any way impair the provisions of the DIP Order or the DIP Facility.

37. Notwithstanding anything to the contrary in this Order, none of the liens granted pursuant to this Order shall attach or otherwise apply to the limited liability company interests of Geysers Power Company LLC and the capital stock of Silverado Geothermal Resources, Inc., Calpine Pasadena Cogeneration, Inc. and Calpine Texas Cogeneration, Inc.

38. Solely with respect to the Motion, based on the Debtors' representation, it is hereby found that the interests in real property located in Westbrook, Maine which are owned by Calpine Construction Finance Company, L.P. (as shown by documents now of record in the Registry of Deeds for Cumberland County, Maine), as well as personal property located thereon, is not owned by a Debtor as of the date hereof and accordingly such real or personal property shall not be subject to the terms of this Final Order, provided that such finding is without prejudice to the right of the Debtors to seek to obtain orders extending this Final Order to such real and personal property if Calpine Construction Finance Company, L.P., subsequently becomes a Debtor.

39. Notwithstanding anything in this Order to the contrary, and in light of ongoing discussions between Bethpage Energy Center 3, LLC ("BEC3") and its Project Lenders regarding dismissal of its Chapter 11 case on a consensual basis, BEC3 shall not constitute a Debtor or Project Debtor for purposes of this Order, and BEC3 and its assets shall not otherwise be subject to any provision of this Order, except that BEC3 shall hereby be authorized to use its Restricted Cash and Unrestricted Cash as BEC3 and its Project Lenders may agree.

40. Notwithstanding anything in this Order to the contrary, the Debtors hereby agree to continue making all payments and performing all obligations under the Facility Lease Agreement (the "Greenleaf Facilities Lease"), dated as of August 10, 1998, among Calpine

Greenleaf, Greenleaf Cogen, LLC and U.S. Bank, National Association; provided, that the foregoing agreement shall not (i) prejudice in any way the Debtors' right subsequently to seek to recharacterize the Greenleaf Facilities Lease as a financing or the defenses of the applicable project lenders for Calpine Greenleaf to any such attempt or (ii) prejudice in any way any of the rights of the Debtors or the project lenders for Calpine Greenleaf under the Bankruptcy Code with respect to the Greenleaf Facilities Lease including, without limitation, the right of the Debtors to assume or reject the Greenleaf Facilities Lease under section 365(a) of the Bankruptcy Code. Subject to paragraph 16 of this Order, in addition to the Termination Events set forth in paragraph 27 of this Order, the authorization of Calpine Greenleaf to use the cash collateral of the related project lenders for Calpine Greenleaf shall terminate immediately upon the occurrence of any of the following, unless otherwise expressly agreed in writing by the project lenders for Calpine Greenleaf: (a) the entry by the Court of an order pursuant to section 365(a) of the Bankruptcy Code authorizing (i) Calpine Greenleaf to reject the Greenleaf Facilities Lease, or (ii) any Debtor to reject any of the security, depositary or other agreements materially relating to the Greenleaf Facilities Lease (collectively, the "Greenleaf Project Documents") including, without limitation, that certain ISDA Master Agreement with Calpine Greenleaf, dated as of June 1, 2005, and all related schedules and confirmations (collectively, the "Swap Agreement"), the Gas, Sale and Purchase Agreement, dated as of June 12, 2000, between and Calpine Greenleaf and Calpine Energy Services, L.P. (the "Gas, Sale and Purchase Agreement") and the power purchase agreements relating to the Calpine Greenleaf facility, (b) the termination by Calpine Energy Services, L.P. or Calpine Greenleaf of the Swap Agreement, unless such termination is retracted, cured or waived by Calpine Greenleaf, Calpine Energy Services, L.P., and/or the related project lenders for Calpine Greenleaf, as the case may be, by

the fifth (5th) business day following the delivery of written notice of such termination to Calpine Greenleaf, Calpine Energy Services, L.P., the related project lenders for Calpine Greenleaf and the Official Committee, or (c) a material breach by (i) Calpine Greenleaf under the Greenleaf Facilities Lease that would excuse non-performance by the lessor, or (ii) any Debtor under the (I) Swap Agreement or (II) the Gas, Sale and Purchase Agreement, in each case that would excuse non-performance by the counter-party, unless such material breach is cured or waived by the applicable party by the fifth (5th) business day following the delivery of written notice of the alleged material breach to Calpine Greenleaf and the Official Committee by the applicable party asserting the occurrence of such material breach; provided, that, notwithstanding anything to the contrary in this Order, (x) any cross-defaults or defaults under any Greenleaf Project Documents, in each case existing as of the date of entry of this Order and which are reasonably known to the project lenders for Calpine Greenleaf, and (y) any events of default under any Greenleaf Project Documents existing as of the date of entry of this Order that could, with the passage of time or the giving of notice or both, become defaults, and which are reasonably known to the project lenders for Calpine Greenleaf, are not Termination Events under any provision of this Order including, without limitation, paragraph 27 of this Order, and the project lenders for Calpine Greenleaf shall not terminate, or attempt to terminate, the Debtors' access to cash collateral solely on the basis of such cross-defaults, defaults or events of default. Notwithstanding anything in this Order to the contrary, the Greenleaf Project Documents shall be treated as "Project Loan Documents" solely for purposes of this Order, and the project lenders for Calpine Greenleaf shall receive all of the adequate protection required to be provided to the Project Lenders pursuant to this Order.

41. For purposes of clarification, the fee provisions of this order apply not only to the fees of the professionals of indentures trustees, collateral agents or similar entities but also to the fees of the indentures trustees, collateral agents or similar entities themselves.

42. (a) DZ Bank AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, New York Branch (“DZ Bank”) shall be deemed a “Service Party” under the Order Pursuant To Sections 365 And 554 Of The Bankruptcy Code Authorizing And Approving Expedited Procedures For The Rejection Of Executory Contracts And Unexpired Leases Of Personal And Non-Residential Real Property, that was entered by the Court on December 21, 2005 (the “Rejection Procedures Order”), with respect to that certain Tolling Agreement, dated as of March 26, 2004, between MEP Pleasant Hill, LLC and Calpine Energy Services, L.P. Any notices served upon DZ Bank shall be sent to Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, NY 10112, Attn: Joseph H. Smolinsky, Esq., and DZ Bank, 609 Fifth Avenue, New York, NY 10017-1021, Attn.: Daira A. Pishko. (b) The South Point Owner Lessors, the Broad River Owner Lessors, and the RockGen Owner Lessors shall be deemed “Service Parties” under the Rejection Procedures Order with respect to the rejection of any contract or lease to which South Point Energy Center, LLC, Broad River Energy LLC, or RockGen Energy LLC, respectively, is a party, and any notices served upon the South Point Owner Lessors, the Broad River Owner Lessors, or RockGen Owner Lessors shall be sent to Milbank, Tweed, Hadley & McCloy LLP, 1 Chase Manhattan Plaza, New York, NY 10005-1413, Attn: Wilbur F. Foster, Jr. (c) U.S. Bank National Association (“U.S. Bank”), as Indenture Trustee and Pass Through Trustee, shall be deemed a “Service Party” under the Rejection Procedures Order with respect to the rejection of any contract or lease to which South Point Energy Center, LLC, Broad River Energy LLC, or RockGen Energy LLC is a party, and any notices served upon U.S. Bank shall

be sent to (i) Shipman & Goodwin LLP, One Constitution Plaza, Hartford, CT 06103-1919, Attn.: Ira H. Goldman and (ii) Goodwin Procter LLP, 599 Lexington Avenue, New York, NY 10022. Attn: Allan Brilliant and Craig Druehl. (d) U.S. Bank, as Indenture Trustee and Pass Through Trustee, shall be deemed a “Service Party” under the Rejection Procedures Order with respect to the rejection of any contract or lease to which Rumford Power Associates Limited Partnership or Tiverton Power Associates Limited Partnership is a party, and any notices served upon U.S. Bank shall be sent to (i) Kelley Drye & Warren LLP, 101 Park Avenue, New York, New York 10178, Attn.: Keith Wofford and (ii) Shipman & Goodwin LLP, One Constitution Plaza, Hartford, CT 06103-1919, Attn.: Ira H. Goldman.

SO ORDERED, ADJUDGED, DECREED AND STIPULATED, this 30th day of
January, 2006.

Dated: New York, New York
January 30, 2006

/s/Burton R. Lifland
UNITED STATES BANKRUPTCY JUDGE