

ORIGINAL

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re:

Calpine Corporation, et al.,

Debtors.

)
)
) Chapter 11
)
) Case No. 05-60200 (BRL)
) Jointly Administered
)
)

COMMISSION
CLERK

**NOTICE OF HEARING ON APPLICATION OF THE DEBTORS PURSUANT TO
SECTIONS 327(a) AND 328(a) OF THE BANKRUPTCY CODE FOR
AUTHORIZATION TO EMPLOY MILLER BUCKFIRE & CO., LLC AS FINANCIAL
ADVISORS AND INVESTMENT BANKERS TO THE DEBTORS**

TO ALL CREDITORS AND PARTIES IN INTEREST:

PLEASE TAKE NOTICE that Calpine Corporation and its debtor affiliates (the "Debtors")¹ seek a final order approving their Application Pursuant To Fed. R. Bankr. P. 2014(a) for an Order Under Sections 327(a) and 328(a) of the Bankruptcy Code Authorizing the Employment and Retention of Miller Buckfire & Co., LLC ("Miller Buckfire") as Financial Advisors and Investment Bankers to the Debtors as filed on December 22, 2005 (the "Application").

MP _____ PLEASE TAKE FURTHER NOTICE that the Honorable Burton R. Lifland of the United
DM _____
FR _____ States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court")
DR _____ approved an Interim Order Under Sections 327(a) and 328(a) of the Bankruptcy Code
DL _____ Authorizing the Employment and Retention of Miller Buckfire & Co., LLC as Financial
PC _____
JA _____ Advisors and Investment Bankers to the Debtors (the "Interim Order") on an interim basis
DR _____ pending a final hearing on the Application.

JA _____
C / _____

¹ Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Application.

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PLEASE TAKE FURTHER NOTICE that the final hearing on the Application is scheduled for March 22, 2006 at 10:00 a.m. prevailing Eastern Time at the United States Bankruptcy Court, Room 621, United States Customs House, One Bowling Green, New York, New York 10004.

PLEASE TAKE FURTHER NOTICE that objections, if any, to the Application must be filed with the Court and served no later than **March 17, 2006 at 4:00 p.m. prevailing Eastern Time** on the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004, Attention: Paul Kenan Schwartzberg and Kirkland & Ellis LLP, attorneys for the Debtors, Matthew Cantor, Esq., Kirkland & Ellis LLP, 153 East 53rd Street, New York, NY 10022.

PLEASE TAKE FURTHER NOTICE that any objections to the Application must be in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, and shall be filed with the Bankruptcy Court electronically in accordance with General Order M-182 (General Order M-182 and the User's Manual for the Electronic Case Filing System can be found at www.nysb.uscourts.gov, the official website for the Bankruptcy Court), by registered users of the Bankruptcy Court's case filing system and, by all other parties in interest, on a 3.5 inch disk, preferably in Portable Document Format (PDF), Wordperfect or any other Windows-based word processing format (with a hard-copy delivered directly to Chambers).

PLEASE TAKE FURTHER NOTICE that pursuant to the Application, Debtors seek to retain Miller Buckfire under the terms of the Engagement Letter to provide a broad range of necessary financial advisory and investment banking services as Miller Buckfire and the Debtors

shall deem appropriate and feasible in order to advise the Debtors in the course of these Chapter 11 cases.

PLEASE TAKE FURTHER NOTICE that, if its retention is approved, Miller Buckfire will, unless such terms prove to have been improvident in light of developments not capable of being anticipated at the time of the hearing, be entitled to receive the following compensation:

- (a) Monthly Fees: A Monthly Advisory Fee of \$250,000.
- (b) DIP Financing Fee: Upon obtaining a written commitment for a DIP financing facility, a fee of \$2,000,000.
- (c) Completion Fee: If the Debtors consummate a Transaction then upon closing of such Transaction and the effective date of a plan of reorganization approved by the Court, a Completion Fee equal to \$17,000,000.
- (d) Retainer: A Retainer of \$2,000,000, to be credited in full against the Completion Fee.
- (e) In addition to the fees described above, and regardless of whether any transaction occurs, the Debtors shall promptly reimburse Miller Buckfire, upon request from time to time, for all: (i) reasonable out-of-pocket expenses (including travel and lodging, data processing and communications charges, courier services and other appropriate expenses) and (ii) other reasonable fees and expenses, including expenses of counsel retained with the Debtors' consent (which shall not be unreasonably withheld).

PLEASE TAKE FURTHER NOTICE that if the Application is granted, the Debtors will indemnify and hold Miller Buckfire harmless against liabilities arising out of or in connection with its retention by Debtors, provided, however, in no event shall Miller Buckfire be indemnified if the Debtors or representatives of their estates assert a claim for, and a Court of competent jurisdiction determines by a final order that such claim arose out of, Miller Buckfire's own bad faith, self-dealing, breach of fiduciary duty (if any), gross negligence or willful misconduct.

PLEASE TAKE FURTHER NOTICE that the foregoing summary of certain elements of the retention is not complete and that the full terms of the retention are contained in the

Application and the Engagement Letter, which are available for inspection at the clerk's office for the Bankruptcy Court, on the Bankruptcy Court's Internet site at www.nysb.uscourts.gov, and on the website of the Debtors' notice and claims agent, Kurtzman Carson Consultants LLC, at <http://www.kccllc.net/calpine>. To the extent that the summary of the retention terms set forth in this notice conflict with the terms of the Engagement Letter, the terms of the Engagement Letter control.

Dated: January 26, 2006
New York, New York

Respectfully submitted,

/s/ Matthew A. Cantor

Richard M. Cieri (RC 6062)

Matthew A. Cantor (MC 7727)

Edward Sassower (ES 5823)

Robert G. Burns (RB 0970)

KIRKLAND & ELLIS LLP

153 East 53rd Street

New York, New York 10022-4611

Telephone: (212) 446-4800

Facsimile: (212) 446-4900

Counsel for the Debtors