

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 AP SERVICES, LLC
AS CRISIS MANAGERS 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 Interim Order Under Sections 327(a) and 328(a) of the Bankruptcy Code Authorizing the Employment and Retention of AP Services, LLC ("APS") as Crisis Managers to the Debtors as filed on December 21, 2005 (the "Application").

PLEASE TAKE FURTHER NOTICE that the Honorable Burton R. Lifland of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") approved an Interim Order Under Sections 327(a) and 328(a) of the Bankruptcy Code Authorizing the Employment and Retention of AP Services, LLC as Crisis Managers to the Debtors (the "Interim Order") on an interim basis pending a final hearing on the Application.

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

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Grant

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

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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, Attn: Paul Kenan Schwartzberg; attorneys for the Debtors, Attn: Matthew Cantor, Esq., Kirkland & Ellis LLP, 153 East 53rd Street, New York, NY 10022; and attorneys for APS, Law Office of Sheldon S. Toll, PLLC, 2000 Town Center, Suite 2550, Southfield, MI 48075.

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 APS to assist the Debtors in their operations and restructuring efforts, with an objective of developing a short-term cash flow forecasting tool, restructuring the Debtors, and managing the Debtors' restructuring efforts, including negotiating with parties in interest and coordinating the

“working group” of the Debtors’ employees and external professionals who are assisting the Debtors in the restructuring process.

PLEASE TAKE FURTHER NOTICE that, if its retention is approved, APS 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) APS will be compensated at the following hourly rates and will bill the Debtors on a monthly basis for any fees incurred in connection with services provided to the Debtors:

Managing Directors	\$570 – 690
Directors	\$430 – 530
Vice Presidents	\$320 – 410
Associates	\$250 – 280
Analysts	\$180 – 200
Paraprofessionals	\$150

- (b) Debtors also have agreed to consider paying APS a contingent success fee (the “Contingent Success Fee”) in the event that the Debtors complete a successful restructuring or sale of the Company. As set forth in the Engagement Letter, not less than 90 days following the beginning of the engagement, the parties will determine the terms of the Contingent Success Fee.

PLEASE TAKE FURTHER NOTICE that if the Application is granted, the Debtors will indemnify and hold APS harmless against liabilities arising out of or in connection with its retention by Debtors, provided, however, in no event shall APS 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, APS’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)

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