

Auction Example

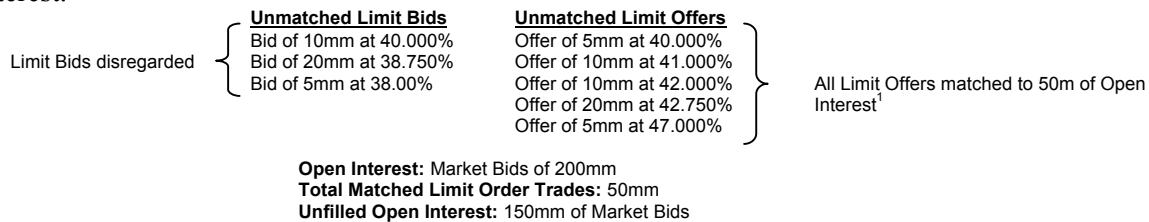
This example is based on the auction methodology in the 2006 Calpine CDS Index Protocol, as published by ISDA on January 9, 2006 (the "Protocol"), and is for convenience only. It is not intended to reflect indicative prices for the Deliverable Obligations. This example and the discussion below are subject to the Protocol in all respects. Market participants should examine the text of the Protocol itself before deciding whether to adhere to the Protocol or take any other action with respect thereto. Neither ISDA nor any of the CDX Members (as defined in the Protocol) make any representation or warranty as to the accuracy or completeness of any information contained in this example and neither ISDA nor any of the CDX Members accepts any liability for the accuracy or completeness of such information.

For the purpose of the following example, the Inside Market Midpoint is assumed to be the price of 40.625% obtained in the examples described in Section 3(d) of Exhibit 3 of the Protocol, but the size and number of Limit Orders have been changed and reduced.

Step 1 – Market Offers are matched pro rata with Market Bids to determine Market Order Trades. The Open Interest is the sum of the unmatched Market Orders.



Step 2 – Unmatched Limit Orders of the opposite type as the Open Interest are matched against the Open Interest.



Step 3 – A Final Price is not determined and a Subsequent Auction is necessary because the sum of the amounts of all the Market Order Trades (800mm) and all the Matched Limit Order Trades (50mm) does not equal at least 90% of the sum of all Market Bids (1,000mm).

NOTE: Because the Open Interest is on the bid side, the Final Price cannot be lower than the Inside Market Midpoint. Thus, if the Open Interest had been \$5 million or less in this example, the Final Price would be at the Inside Market Midpoint of 40.625% even though the last Matched Limit Order would have been the lowest Limit Offer of 40.000%.

¹ Any Limit Offer that was more than 15% higher than the Inside Market Midpoint of 40.625% would have been disregarded.

Step 4 – Participating Bidders submit Subsequent Market Orders, Subsequent Limit Orders (if any) and Replacement Limit Orders (if any). The Administrators then determine the size and type of the Subsequent Open Interest.

<u>Subsequent Market Bids</u>	<u>Subsequent Market Offers</u>
100mm	400mm
100mm	425mm
100mm	
100mm	
100mm	
100mm	
100mm	
100mm	
75mm	
75mm	
75mm	
Total Subsequent Market Order Trades:	825mm
Total Subsequent Open Interest:	100mm of Subsequent Market Bids

Step 5 – After matching the 825mm of Subsequent Market Order Trades, the Limit Orders from the First Auction, along with any Subsequent Limit Orders and Replacement Limit Orders, are matched against the Subsequent Open Interest.

<u>Limit Offers from First Auction</u>	<u>New Limit Orders</u>	
Offer of 5mm at 40.000%		} All of Subsequent Open Interest matched to 100mm of Limit Offers, beginning with lowest Offer.
Offer of 10mm at 41.000%		
Offer of 10mm at 42.000%	Replacement Limit Offer of 15mm at 41.500%	
Offer of 20mm at 42.750%		
Offer of 5mm at 47.000%		
	Subsequent Limit Offer of 10mm at 48.000%	} Excess Limit Offers of 5mm at 49.000% and 10mm at 55.000% discarded.
	Subsequent Limit Offer of 40mm at 49.000%	
	Subsequent Limit Offer of 10mm at 55.000%	
		Final Price = Highest Matched Limit Offer = 49.000%
		Total Matched Limit Order Trades: 100mm