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**ANNEX 3**

**to the**

**2006 CALPINE CDS PROTOCOL**

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**ISDA<sup>®</sup>**

**INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.**

**Form of Master Confirmation**  
**Tranche TRAC-X NA [Series 1]/[Series 2]**

Attention:

Tel: [●]  
 Fax: [●]  
 Date: [●]  
 To: [Counterparty] ("Party B")

From: [Dealer]  
 Contact: [●]  
 Tel: [●]  
 Fax: [●]  
 Re: Credit Derivative Transaction – Ref. No. [ ]

The purpose of this letter (this "Confirmation") is to confirm the terms and conditions of the Credit Derivative Transaction entered into between us on the Trade Date specified below (the "Transaction"). This Confirmation constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified below.

The definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions, as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions, (together the "2003 Definitions") as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Confirmation. In the event of any inconsistency between the 2003 Definitions and this Confirmation, this Confirmation will govern.

This Confirmation supplements, forms a part of, and is subject to, the ISDA Master Agreement dated as of [date], as amended and supplemented from time to time (the "Agreement"), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

The terms of the Transaction to which this Confirmation relates are as follows:

**PRINCIPAL TERMS:**

The following terms shall be specified by the parties for the purposes of each Transaction:

Trade Date:	[Trade Date]
Effective Date:	[Trade Date plus 1 Calendar Day]
Scheduled Termination Date:	20 September 2008
Termination Date:	The earlier to occur of (a) the Cash Settlement Date which results in the Fixed Rate Payer Calculation Amount being reduced to zero and (b) the later of (i) the Scheduled Termination Date and (ii) the latest Cash Settlement Date occurring after the Scheduled Termination Date relating to an Event Determination Date occurring within the Notice Delivery Period.

Form of Master Confirmation for Tranche TRAC-X NA [Series 1]/[Series 2]

Floating Rate Payer:	[Dealer] (the "Seller")
Fixed Rate Payer:	[BUYER] (the "Buyer")
Fixed Rate:	[ ] per cent per annum
Upfront Amount:	[Not applicable][amount]
Upfront Amount Payment Date:	[Not applicable][The Upfront Amount shall be payable by Buyer to Seller on [date]]
Settlement Currency:	USD
Notional Amount:	USD [amount]
Lower Boundary:	[ ]%
Upper Boundary:	[ ]%
Credit Position:	With respect to a Reference Entity the amount specified below.
Initial Fixed Rate Payer Payment Date:	20 March 2004
Business Days:	London and New York

The following terms shall be fixed for each Transaction:

Settlement Method:	Physical Settlement and Cash Settlement, each as modified herein.
Calculation Agent:	Seller
Calculation Agent City:	New York
Fixed Rate Day Count Fraction:	Actual / 360
Business Day Convention:	Following (which, subject to Sections 1.4 and 1.6 of the 2003 Definitions, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day).
Reference Entities:	Each of the Reference Entities specified below and any Successors of any of them.

Physical Settlement Period	As specified in Section 8.6 of the 2003 Definitions, but in no event longer than 30 Business Days.
Latest Delivery Date:	With respect to any Reference Entity and an Event Determination Date, the earlier of:  <ol style="list-style-type: none"><li>(1) the first date on which Buyer has Delivered or is deemed to have Delivered Deliverable Obligations each with an outstanding principal balance equal to or greater than the outstanding principal balance of such Deliverable Obligations specified in the relevant Notice of Physical Settlement or in a notice pursuant to Section 9.9 (as applicable);</li><li>(2) the date on which Buyer notifies Seller that it has completed delivery. Where the circumstances detailed in paragraph (1) of the definition of Cut Off Date exist at the time such notice is given, then such notice shall be deemed to have been delivered 3 Business Days following the date of actual delivery; and</li><li>(3) the Cut Off Date.</li></ol> On and with effect from the date determined pursuant to the foregoing, Buyer shall have no further rights or obligations to Deliver any Deliverable Obligations with respect to the relevant Event Determination Date nor shall Buyer or Seller have any further rights or obligations with respect to Sections 9.9 or 9.10 in relation to such Event Determination Date.
Cash Settlement Date:	Two Business Days following the determination of (1) the Final Prices of the Deliverable Obligations Delivered by Buyer to Seller on or before the Latest Delivery Date, or (2) if applicable, the CDS Amount.
Quotation Amount:	With respect to a Deliverable Obligation in respect of which the Final Price is being determined, the outstanding principal balance of that Deliverable Obligation that has been Delivered or deemed to have been Delivered on or before the Latest Delivery Date.
Quotation Method:	Bid
Valuation Method:	Highest
Quotations:	Exclude Accrued Interest

Specified Dealers: BNP Paribas, Goldman Sachs International, Lehman Brothers, JP Morgan Chase Bank, Morgan Stanley.

In the event Buyer and/or Seller is one of the Specified Dealers, the Calculation Agent shall select in good faith and a commercially reasonable manner a dealer(s) in the obligations of the type of obligations for which Quotations are to be obtained and such selected dealer(s) shall replace the Buyer and/or Seller as a Specified Dealer(s).

Dealers: Seller and each Specified Dealer.

**REFERENCE PORTFOLIO**

Reference Entity	Summary of Benchmark Obligation			Credit Position
	Coupon	Maturity	CUSIP	
[●]	[●]	[●]	[●]	[●]

**GENERAL TERMS:**

Fixed Payments:

Tranche Size: Upper Boundary minus Lower Boundary

Portfolio Size: Notional Amount divided by Tranche Size

Reference Entity Notional Amount: With respect to any Reference Entity, Portfolio Size multiplied by Credit Position

Fixed Rate Payer Calculation Amount: For each Fixed Rate Payer Calculation Period, an amount equal to (i) the sum of the Notional Amount minus the Notional Reduction Amount, for each day, subject to a minimum of zero, divided by (ii) the number of days in the relevant Fixed Rate Payer Calculation Period.

Fixed Rate Payer Payment Date(s): The Initial Fixed Rate Payer Payment Date and each quarterly date thereafter in each year thereafter up to and including the earlier to occur of the Scheduled Termination Date and the Termination Date.

Fixed Rate: As specified in the Principal Terms

Final Fixed Rate Payer Calculation Period: The final Fixed Rate Payer Calculation Period will end on and include the earlier of the Scheduled Termination Date and the Termination Date.

Notional Reduction Amount:	An amount equal to:  (1) The greater of (i) 0 and (ii) Accumulated Loss minus (Portfolio Size multiplied by Lower Boundary)  Plus  (2) Upper Boundary Adjustment  Subject to a maximum of the Notional Amount and a minimum of zero. The Notional Reduction Amount shall be calculated immediately following the determination of a Loss Amount and shall take effect as of the related Event Determination Date.
Accumulated Loss:	The aggregate of all Loss Amounts determined by the Calculation Agent. The Accumulated Loss shall be adjusted immediately with effect from each determination of a Loss Amount.
Upper Boundary Adjustment:	If the Upper Boundary is equal to 100%, then an amount equal to the aggregate of all Recovery Amounts determined by the Calculation Agent.  If the Upper Boundary is not equal to 100%, then an amount equal to zero.
Overpayment Amount:	In the event that any Loss Amount is determined in a different Fixed Rate Payer Calculation Period to the related Event Determination Date, then on the Cash Settlement Date relating to that Loss Amount, Seller shall pay to Buyer the Overpayment Amount.  The Overpayment Amount shall be an amount equal to the product of (i) (the Cash Settlement Amount payable by Seller in connection with the relevant Event Determination Date plus the related Upper Boundary Adjustment, if applicable) and (ii) the quotient of (x) the Fixed Rate multiplied by the number of days from and including the relevant Event Determination Date to but excluding the last Fixed Rate Payer Payment Date to occur prior to that Cash Settlement Date and (y) 360
Recovery Amount:	With respect to any satisfaction of the Conditions to Settlement and a Reference Entity, the Reference Entity Notional Amount immediately prior to the relevant Event Determination Date minus the Loss Amount.
Conditions to Settlement:	Credit Event Notice Notifying Party: Buyer or Seller

Notice of Publicly Available Information: Applicable

Notice of Physical Settlement: Applicable

Credit Event:

The following Credit Events shall apply with respect to any Reference Entity specified in the Reference Portfolio:

Bankruptcy

Failure to Pay

Payment Requirement: USD 1,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay.

Multiple Exercise:

Subject to Terms Relating To Successor:

- (1) The Conditions to Settlement may be satisfied any number of times during the Notice Delivery Period but once only with respect to any Reference Entity; and
- (2) Immediately following an Event Determination Date with respect to any Reference Entity, the Credit Position of that Reference Entity shall be reduced to 0%.

Obligation(s):

For the purposes of the table below;

"Yes" shall mean that the relevant selection is applicable; and

"No" shall mean that the relevant selection is not applicable.

	Obligation Categories		Obligation Characteristics
No	Payment	No	Not Subordinated
Yes	Borrowed Money	No	Specified Currency - Standard Specified Currencies
No	Reference Obligation(s) Only	No	Not Sovereign Lender
No	Bond	No	Not Domestic Currency
No	Loan	No	Not Domestic Law
No	Bond or Loan	No	Listed
		No	Not Domestic Issuance

Excluded Obligations: None

Reference Obligation(s): In relation to any Reference Entity and solely for the purposes of Section 2.30 of the 2003 Definitions and determining the Not Subordinated Deliverable Obligation Characteristic, the Benchmark Obligation, and for all other purposes, each Deliverable Obligation Delivered by Buyer.

Deliverable Obligation(s): The Benchmark Obligation and any obligation determined pursuant to the following.

For the purposes of the table below;

"Yes" shall mean that the relevant selection is applicable;  
and  
"No" shall mean that the relevant selection is not applicable



Deliverable Obligation Categories			Deliverable Characteristics
No	Payment	Yes	Not Subordinated
No	Borrowed Money	Yes	Specified Currency - Standard Specified Currencies
No	Reference Obligation(s) Only	No	Not Sovereign Lender
No	Bond	No	Not Domestic Currency
No	Loan	No	Not Domestic Law
Yes	Bond or Loan	No	Listed
		Yes	Not Contingent
		No	Not Domestic Issuance
		Yes	Assignable Loan
		Yes	Consent Required Loan
		No	Direct Loan Participation
			Qualifying Participation Seller:
		Yes	Transferable
		Yes,	Maximum Maturity
		30	
		years	
		No	Accelerated or Matured
		Yes	Not Bearer

Reference Price: 100%

1. Terms relating to settlement:

Physical Settlement: The first two paragraphs of Section 8.1 of the 2003 Definitions shall be replaced in their entirety with the following paragraphs:

- (1) Buyer shall, subject to Sections 3.1 and 9.2(c)(ii), on or prior to the Physical Settlement Date, Deliver to Seller the Deliverable Obligations specified in the Notice of Physical Settlement. Notwithstanding Section 8.1 of the 2003 Definitions, Seller shall not be required to pay any Physical Settlement Amount to Buyer on the Physical Settlement Date.
- (2) In the case of Deliverable Obligations that are Borrowed Money, Buyer shall Deliver Deliverable Obligations with an outstanding principal balance (excluding accrued but unpaid interest, in the aggregate amount as of the relevant Delivery Dates not greater than the Reference Entity Notional Amount of the relevant Reference Entity (or the equivalent Currency Amount of any such amount)

immediately prior to the Event Determination Date relating thereto.

- (3) Delivery by Buyer shall be made in accordance with market practice applicable to the Deliverable Obligation on the Delivery Date.
- (4) On the Cash Settlement Date, Seller shall pay to Buyer an amount (“Physical Delivery Amount”) equal to the sum of the product of the Final Price and the corresponding Delivery Amounts of each of the Deliverable Obligations that were actually Delivered by Buyer to Seller.

Delivery Amount: With respect to any Deliverable Obligation, the outstanding principal balance of such Deliverable Obligation that was Delivered by Buyer to Seller.

Valuation Date: One Business Day following the Latest Delivery Date.

Cash Settlement:

- (1) On each Valuation Date (or the first day thereafter on which the Final Price is determined) the Calculation Agent shall determine:
  - (a) the Final Price of each Deliverable Obligation Delivered by Buyer to Seller on or before the related Latest Delivery Date with respect to the relevant Reference Entity;
  - (b) the Loss Amount relating to those Deliverable Obligations, and
  - (c) Accumulated Loss
- (2) The Cash Settlement Amount shall be an amount equal to the Tranche Loss immediately following the determination of the Accumulated Loss pursuant to Section 1 of this provision minus the Tranche Loss immediately prior to such determination. Notwithstanding anything to the contrary herein, the aggregate of all Cash Settlement Amounts payable hereunder shall not exceed the Notional Amount.

Payment of Cash Settlement Amount: On each Cash Settlement Date, Seller shall pay to Buyer the Cash Settlement Amount relating to that date.

Loss Amount: With respect to a Reference Entity:  
  
(100% minus Weighted Final Price) multiplied by Delivered Percentage multiplied by Reference Entity Notional Amount immediately prior to the relevant Event Determination Date, subject to a minimum of zero.

**plus**

the Scaled CDS Amount, if applicable.

Delivered Percentage: Aggregate Delivery Amount divided by Specified Delivery Amount.

Weighted Final Price: With respect to a Reference Entity, the sum of (1) the product of the Final Price and the Delivery Amount of each Deliverable Obligation Delivered and (2) where applicable the product of the Buy-in Price of each Deliverable Obligation which is subject to a buy-in (in accordance with Sections 9.9 of the 2003 Definitions) and the outstanding principal balance of such Deliverable Obligations deemed to be Delivered by Buyer, divided by the Aggregate Delivery Amount.

Aggregate Delivery Amount: With respect to any Reference Entity, means the aggregate of the Delivery Amounts of all Deliverable Obligations that are either Delivered by Buyer or subject to a buy-in (in accordance with Section 9.9 of the 2003 Definitions) with respect to a satisfaction of the Conditions to Settlement in relation thereto.

Specified Delivery Amount: With respect to any Reference Entity and a satisfaction of the Conditions to Settlement in relation thereto, means the outstanding principal balance of all Deliverable Obligations specified in the Notice of Physical Settlement relating to that satisfaction.

Tranche Loss: An amount denominated in the Settlement Currency and equal to the lesser of:

- (a) Notional Amount and
- (b) the greater of (Accumulated Loss minus (Portfolio Size multiplied by Lower Boundary)) and 0 (zero).

## 2. CDS Amount

Calculation of CDS Amount: In the event that the Aggregate Delivery Amount is less than the Specified Delivery Amount, the Calculation Agent shall determine an amount (the “**CDS Amount**”) in accordance with the following:

1) One Business Day following the Latest Delivery Date,

the Calculation Agent shall request each Dealer (including Seller) to provide their firm offer price, expressed as a single upfront payment, for the entry into a the Replacement Transaction on that date.

- 2) The CDS Amount shall be equal to the lowest such offer. In the event that Seller provides an offer for the purpose of the foregoing, such offer must be actionable by Buyer.

Scaled CDS Amount: CDS Amount multiplied by (Reference Entity Notional Amount divided by Specified Delivery Amount).

Replacement Transaction: A single name physically settled credit swap transaction relating to the entity in respect of which the CDS Amount is being calculated where:

- (1) the Floating Rate Payer Calculation Amount is equal to the Specified Delivery Amount minus the Aggregate Delivery Amount;
- (2) all relevant credit terms (including without limitation the definitions of Obligations, Deliverable Obligations, Credit Event) are identical to the terms specified herein;
- (3) The Conditions to Settlement have been satisfied on exactly the same basis with respect to the relevant entity as they were for this Transaction;
- (4) Buyer has delivered a Notice of Physical Settlement specifying the same Deliverable Obligations as those specified for the purposes of this Transaction that remain undelivered as at the Delivery Cut Off Date;
- (5) The Physical Settlement Date occurred not less than 15 Business Days prior to the date on which the offer for the Replacement Transaction is being requested.

### 3. Terms Relating To Successor

Amendments to 2003 Definitions: For the purposes of this Transaction, the 2003 Definitions shall be deemed to be amended as follows:

- (1) In each of Sections 2.2(a)(iii) and 2.2 (a)(iv), the words “for a New Credit Derivative Transaction determined in accordance with the provisions of Section 2.2(e) shall be deemed to be deleted in their entirety;

- (2) Sections 2.2(d) and 2.2 (e) shall each be deemed to be deleted in their entirety and Section 2.2(d) is replaced in its entirety with the following:

Where, pursuant to Section 2.2(a)(iii) or (iv) above, more than one Successor to a Reference Entity (the “Original Reference Entity”) has been identified:

- (i) each Successor to the Original Reference Entity shall be a Reference Entity for the purposes of this Transaction. Accordingly, the number of Reference Entities will be increased by the number of Successors (except in the case where any Successor is a Reference Entity at the time of the Succession Event). Where any Successor is an existing Reference Entity at the time of the Succession Event such Reference Entity shall be specified once only in the Reference Portfolio
- (ii) the Credit Position of the Original Reference Entity shall be allocated equally among all Successors to such Reference Entity (including any Successor which is otherwise a Reference Entity at the time of the Succession Event).
- (iii) For each Successor in respect of which no Benchmark Obligation has been specified, the Calculation Agent shall determine a Substitute Reference Obligation in accordance with Section 2.30 and such obligation shall be deemed to be the Benchmark Obligation for that Successor. For the purposes of Section 2.30, all references to Reference Obligation shall, where the context requires, be read as references to Benchmark Obligation.
- (iv) A Successor may be a Reference Entity notwithstanding that such entity was previously a Reference Entity in respect of which the Conditions to Settlement were satisfied.

Section 2.31 of the 2003 Definitions shall not apply to this Transaction.

Section 9.9 of the 2003 Definitions shall be applicable to this Transaction except that::

- (1) The Calculation Agent shall determine the Cash Settlement Amount with respect to such deemed Delivery in accordance with the Cash Settlement Terms.
- (2) No Physical Delivery Amount shall be payable by Seller to Buyer with respect to any deemed Delivery by Buyer pursuant to Section 9.9.

Section 9.10. of the 2003 Definitions:

- (1) Section 9.10 of the 2003 Definitions shall be applicable to this Transaction.
- (2) In the event that Buyer Delivers any Deliverable Obligations to Seller pursuant to Section 9.10, the Terms relating to settlement shall apply and the Quotation Method shall be Bid.

Cut Off Date:

Notwithstanding Section 1.7 or any provisions of Sections 9.9 or 9.10 to the contrary, but without prejudice to Section 9.3 and (where applicable) Sections 9.4, 9.5 and 9.6, if Buyer has not Delivered Deliverable Obligations to Seller in an outstanding principal balance equal to that specified in the relevant Notice of Physical Settlement on or prior to the date that is 60 Business Days following the Physical Settlement Date, such 60th Business Day shall be deemed to be the Cut Off Date unless:

- (1) a valid notice of Buy-in Price has been delivered that is effective fewer than three Business Days prior to such 60th Business Day, in which case the Cut Off Date shall be the third Business Day following the date on which such notice is effective; or
- (2) Buyer has purchased but not Delivered on or prior to such 60th Business Day Deliverable Obligations validly specified by Seller pursuant to Section 9.10(b), in which case the Cut Off Date shall be the tenth Business Day following the date on which Seller validly specified such Deliverable Obligations to Buyer.

Section 9.3

Section 9.3 shall apply to this Transaction, modified to the extent necessary.

#### 4. Notice and Account Details:

Notice and Account Details for  
[Dealer]::

Credit Event Notices:  
[●]

Account Details:  
[●]

Notice Details in respect of Party B: Notice Details

Account Details

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing this Confirmation and returning it to us.

Yours sincerely,

**[Dealer]**

By:

\_\_\_\_\_

Name:

Title:

Confirmed as of the date first written above:

**[Counterparty]**

By:

\_\_\_\_\_

Name:

Title: