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FOR IMMEDIATE RELEASE

Calpine Achieves Rarely Granted "Substantive Consolidation" in Bankruptcy Case

Boston, April 8, 2008 — In a decision that will allow Analysis Group client Calpine Corp. to avoid a protracted battle over a massive restructuring plan, the United States Bankruptcy Court for the Southern District of New York has ruled that the electricity wholesaler may substantively consolidate the debt obligations of its myriad entities. The ruling, which was covered widely in major news outlets, came after an Analysis Group academic affiliate showed that substantive consolidation would not disadvantage any of the company's creditors.

Substantive consolidation is the pooling of the assets and liabilities of separate legal entities for the purpose of calculating creditor distribution; it is rarely permitted in bankruptcy proceedings. In this matter, Calpine (the petitioner) bore the burden of proving that the multi-pronged tests to support substantive consolidation were met.

Managing Principal Jonathan Arnold led an Analysis Group team including Vice Presidents Elizabeth A. Evans and **Suzanne E. Heinemann** in support of our affiliate in an examination of the documents filed by Calpine's bankrupt legal entities. More than 1.2 million line items related to Calpine's inter-company transactions were reviewed in order to determine whether the various entities' accounts were entangled and, if so, whether they could be separated in a cost-effective and timely manner. A report was then submitted to the Court in support of Calpine's Sixth Amended Joint Plan of Reorganization demonstrating that Calpine met the requirements for substantive consolidation as a matter of accounting.

In approving Calpine's reorganization plan, Judge Burton R. Lifland stated that our expert's report "without contradiction, fully support[ed] findings…that…requirements [for substantive consolidation] have been met in this case." The Court's approval of the plan enabled Calpine to keep $7.6 billion in exit financing in what the company's General Counsel Gregory L. Doody characterized as "the largest and most complex reorganization conducted under the new bankruptcy laws."

Calpine's legal team was led by Kirkland & Ellis partners Richard M. Cieri, Marc Kieselstein, Mark E. McKane, and Jeffrey S. Powell.

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