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September 13, 2000

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center, Room 110
Tallahassee, Florida 32399-0850

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Re: Docket No. 000982-EI

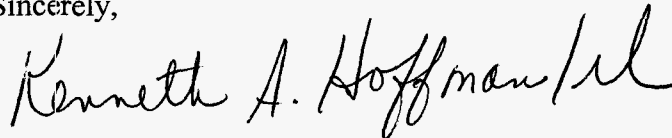
Dear Ms. Bayo:

Enclosed herewith for filing in the above-referenced docket on behalf of Florida Power & Light Company ("FPL") are the original and fifteen copies of FPL's Notice of Filing Bankruptcy Court Order Approving Conditional Settlement Agreement.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me.

Thank you for your assistance with this filing.

Sincerely,



Kenneth A. Hoffman

APP _____
CAF _____
CMP _____
COM _____
CTR _____ KAH/rl
ECR _____ Enclosures
LEG _____ ec: Parties of Record
OPC _____
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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Power &)
 & Light Company for Approval of)
 Agreement to Buy Out Okeelanta)
 Corporation and Osceola Farms, Co.)
 Standard Offer Contracts)
 _____)

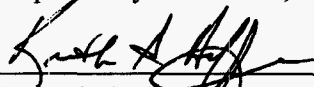
Docket No. 000982-EI

Filed: September 13, 2000

**FLORIDA POWER & LIGHT COMPANY'S
 NOTICE OF FILING BANKRUPTCY COURT ORDER
APPROVING CONDITIONAL SETTLEMENT AGREEMENT**

Florida Power & Light Company ("FPL"), by and through its undersigned counsel, hereby files this Notice of Filing the attached Order entered on September 6, 2000 by the Honorable Paul G. Hyman, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of Florida, West Palm Beach Division, approving the Conditional Settlement Agreement and Release attached as Attachment A to FPL's Petition filed in this docket on July 28, 2000, requesting Commission approval of said Agreement which terminates the Standard Offer Contracts originally entered into between FPL and Okeelanta Corporation and FPL and Osceola Farms, Co. and settles all claims by and/or against FPL as well as the pending judicial proceedings relating to the Okeelanta and Osceola Standard Offer Contracts. A copy of the attached Bankruptcy Court Order has been served on the Florida Public Service Commission Staff and the Office of Public Counsel as reflected on the attached Certificate of Service.

Respectfully submitted,



 Kenneth A. Hoffman, Esq.
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 Tallahassee, FL 32302
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DOCUMENT NUMBER-DATE

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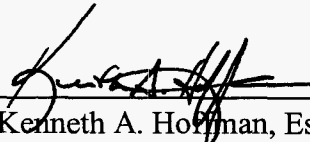
Attorneys for Florida Power & Light Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished to the following this 13th day of September, 2000, by United States Mail:

Cochran Keating, Esq.
Florida Public Service Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Room 370
Tallahassee, Florida 32399-0850

Stephen C. Burgess, Esq.
Office of Public Counsel
111 West Madison Street
Room 812
Tallahassee, Florida 32399-1400



Kenneth A. Hoffman, Esq.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH DIVISION

In re:)
)
GATOR GENERATING COMPANY,) Case No. 97-32338-BKC-PGH
LIMITED PARTNERSHIP, et al.,) Chapter 11
)
Debtors.) Jointly Administered
_____)

ORDER APPROVING
CONDITIONAL SETTLEMENT AGREEMENT AND RELEASE
WITH FLORIDA POWER & LIGHT

THIS MATTER was heard by the Court on September 6, 2000, in West Palm Beach, Florida (the "Hearing") on the Motion of the Steering Committee of the Ad Hoc Bondholders' Committee and of SunTrust Bank, Not Individually but as Indenture Trustee, for an Order Approving Conditional Settlement Agreement and Release with Florida Power & Light (the "Motion"); and the Court having found that it has jurisdiction to consider the Motion; and having reviewed the Exhibits attached to the Motion, which were admitted into evidence at the Hearing, including the Conditional Settlement Agreement and Release with Florida Power & Light Company ("FPL") dated as of July 17, 2000, attached to the Motion as Exhibit "B" (the "Settlement Agreement"); and it appearing that timely and sufficient notice of the Motion and the Hearing was given to all creditors and parties in interest; and the Court having found that all creditors and parties in interest have had a full and fair opportunity to be heard with respect to the Motion, including presentation of any and all objections thereto; and it further appearing that the relief requested in the Motion is in the best interests of the Debtors, their respective estates, and the creditors thereof; and after due deliberation and sufficient cause appearing therefore;

THE COURT HEREBY FINDS AND CONCLUDES AS FOLLOWS:

I. BACKGROUND

A. On May 14, 1997 (the "Petition Date"), Gator Generating Company, Limited Partnership ("Gator"), Okeelanta Power Limited Partnership ("Okeelanta Power" and, collectively with Gator, the "Owners"), Osceola Power Limited Partnership ("Osceola Power"), Flo-Energy Corporation ("Flo-Energy"), Glades Power Partnership ("Glades" and, collectively with Gator, Okeelanta Power, Osceola Power, and Flo-Energy, the "Debtors"), filed voluntary petitions for relief with this Court under Chapter 11 of Title 11, United States Code, 11 U.S.C. § 101, *et seq.* (the "Bankruptcy Code").

B. By previous Order of this Court, the Debtors' Chapter 11 cases (the "Bankruptcy Cases") are being jointly administered pursuant to Federal Rule of Bankruptcy Procedure 1015.

C. No trustee or examiner has been appointed in the Bankruptcy Cases, and no official committee has yet been established.

D. The Owners are each a party to separate Standard Offer Contracts with FPL for the Purchase of Firm Capacity and Energy from a Qualifying Facility less than 75MW or a Solid Waste Facility, each dated as of September 20, 1991 (individually, the "Okeelanta Standard Offer Contract" and the "Osceola Standard Offer Contract" and, collectively, the "Standard Offer Contracts").

E. For purposes of meeting their obligations under the Standard Offer Contracts, the Owners constructed two electric and steam generating facilities, one located approximately six miles south of South Bay in western Palm Beach County, Florida (the "Okeelanta Facility"), and the other located near Pahokee in western Palm Beach County, Florida (the "Osceola Facility" and, together with the Okeelanta Facility, the "Facilities").

F. In order to finance construction of the Facilities, the Owners and their affiliates caused Palm Beach County to issue certain revenue bonds. Specifically, pursuant to, among other things, that certain Trust Indenture dated as of December 1, 1993 (as amended, the "Okeelanta Indenture") by and between the County and NationsBank of Florida, N.A. (the "Original Trustee"), the County issued its Palm Beach County, Florida Solid Waste Industrial Development Revenue Bonds (Okeelanta Power Limited Partnership Project), Series 1993A, in the original aggregate principal amount of \$160,000,000 (the "Okeelanta Bonds"). Additionally, pursuant to, among other things, that certain Trust Indenture dated as of June 1, 1994 (as amended, the "Osceola Indenture," and together with the Okeelanta Indenture, the "Indentures") by and between the County and the Original Trustee, the County issued its Palm Beach County, Florida Solid Waste Industrial Development Revenue Bonds (Osceola Power Limited Partnership Project), Taxable Series 1994B, in the original aggregate principal amount of \$8,000,000 and its Palm Beach County, Florida Solid Waste Industrial Development Revenue Bonds (Osceola Power Limited Partnership Project), Exempt Facility Series 1994A, in the original aggregate amount of \$120,500,000 (the "Osceola Bonds," and together with the Okeelanta Bonds, the "Bonds"). The Bonds are secured by what movants assert to be (and what the Debtors have acknowledged as) valid, perfected, first priority liens and security interests in substantially all of the assets of the Owners and the other Debtors, including the Facilities and certain Project Contracts (as defined in the Indentures), including the Standard Offer Contracts, and the proceeds thereunder (the "Liens"). The Bonds do not represent a financial obligation of Palm Beach County, Florida. The Indenture Trustee is successor to the Original Trustee under the Indentures.

G. At the time the Bonds were issued, it was contemplated that the operation of the Facilities and the repayment of the Bonds would be funded from the revenues generated from the Standard Offer Contracts between the Owners and FPL. The Standard Offer Contracts provide that FPL is required to purchase energy at a rate set forth in the Standard Offer Contracts (the "Energy Payments") and, in addition, to reflect the cost that FPL otherwise would have incurred to construct a like amount of power generating capacity, to make monthly capacity payments to the Owners in accordance with certain rate schedules, and based upon the final committed capacity of each of the Facilities, determined in accordance with the provisions of the Standard Offer Contracts (the "Capacity Payments"). The Standard Offer Contracts and payments related thereto provide virtually the only basis for repayment of principal and interest on the Bonds.

H. Under the terms of the Indentures and other documents, the Indenture Trustee purports to hold the Liens for the benefit of all Holders of Bonds. The Debtors have acknowledged the extent, validity, and priority of the Indenture Trustee's Liens.

I. Disputes arose among FPL, the Debtors, and Lake Power Leasing Partnership ("Lake Power" and, collectively with the Debtors, the "Defendants") relating to the Facilities and the enforceability of the Standard Offer Contracts. On January 8, 1997, FPL filed an action in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida (the "State Court") against certain of the Defendants, later amended to include all Defendants, currently pending under Case No. CL-97-00171-AF (the "Action"). In the Action, FPL seeks, among other things, a declaration from the State Court that the Facilities had failed to achieve "commercial operation" as of January 1, 1997, and that, as a consequence thereof, FPL's obligations under the Standard Offer Contracts were and are of no force and effect. The Owners dispute FPL's claims and assert that the Standard Offer Contracts remained in full force and

effect. On the Petition Date, prior to interposing an answer to FPL's Complaint in the Action, the Debtors commenced these Bankruptcy Cases and commenced an adversary proceeding (the "Adversary Proceeding") requesting that this Court adjudicate the claims underlying the Action pending before the State Court. In August, 1997, however, this Court issued an Order pursuant to 28 U.S.C. § 1334(c) abstaining from hearing the Adversary Proceeding and permitting the Action to continue before the State Court (the "Abstention Order").

J. By Order dated June 6, 1997, this Court authorized the Debtors to incur indebtedness from certain insiders and affiliates of Gator and Okeelanta Power (the "DIP Lenders") pursuant to Section 364(b) of the Bankruptcy Code in order to pay certain operating expenses and fund certain capital expenditures with respect to the Facilities. The funding under the approved arrangement was discretionary on a month-to-month basis. On or about September 9, 1997, the DIP Lenders notified the Debtors of their intention to cease further funding. As a consequence, on September 15, 1997, the Debtors ceased operations at the Facilities.

K. Shortly after the Petition Date, certain holders of the Bonds formed an *ad hoc* committee (the "Bondholders"). Thereafter, these Bondholders appointed a Steering Committee (the "Steering Committee") made up of Bondholders holding a majority in aggregate principal amount of each Bond issue to represent the interests of the Bondholders in the Bankruptcy Cases.

L. Following protracted negotiations during the Fall of 1997 among the Debtors, the DIP Lenders, and other equity participants in the Debtors, the Debtors executed a Term Sheet (the "Term Sheet") with certain direct and indirect equity interest holders of the Debtors, the Indenture Trustee, and the Bondholders. The Term Sheet, a copy of which is attached to the Motion as Exhibit "A" and was admitted into evidence at the Hearing, provided for, *inter alia*, a partial payment to certain of the Debtors' administrative claimants, financing for the substantial

expenses of insuring and mothballing the Facilities during the pendency of the Action, and a mechanism for funding and control of litigation against FPL and others that could be brought for the benefit of the Debtors' estates. Specifically, the Term Sheet provides, *inter alia*, that "[t]he Majority Bondholders shall control, fund and manage any litigation . . . against FPL and/or any third party and may, in the Majority Bondholders' collective sole discretion, enter into any settlement agreement or other arrangement relating thereto and the Equity-Affiliated Lenders [as that term is defined in the Term Sheet] and the Debtors shall have no right of approval with respect to any such settlement agreement or arrangement" Term Sheet, at 10.¹

M. On December 12, 1997, following notice and a hearing on the matter, the Court entered an Order approving the Term Sheet and authorizing the Debtors to effectuate the transactions contemplated by the Term Sheet (the "Term Sheet Order"). The Term Sheet Order also decreed the Debtors' acknowledgement of the extent, validity, and priority of the Indenture Trustee's Liens, while reserving for other persons the right to challenge the Liens of the Indenture Trustee.

N. Under the authority of the Term Sheet and the Term Sheet Order, the Bondholders transferred custody of the Facilities to affiliates of the Landlords (as that term is defined in the Term Sheet), and the Bondholders incurred substantial expenses in connection with the Facilities' upkeep. As permitted by the Term Sheet and the Term Sheet Order, a Landlord affiliate chose to operate the Okeelanta Facility, at its own risk, and has made various improvements to it.

¹ The Steering Committee, which is comprised of entities holding a majority in aggregate principal amount of each Bond issue, is the "Majority Bondholders," as that term is used in the Term Sheet.

O. On September 10, 1999, this Court approved certain amendments to the Term Sheet (collectively, the "Amendment to the Term Sheet"). A copy of the Amendment to the Term Sheet was admitted into evidence at the Hearing. Generally, under the Amendment to the Term Sheet, affiliates of the Landlords agreed to pay the expenses of maintaining the Facilities in exchange for an option to acquire title thereto. Operation of the Okeelanta Facility continued. Meanwhile, as contemplated by the Term Sheet and the Term Sheet Order, the Bondholders, with Court approval, settled certain of the Debtors' claims against the contractor for the Facilities.

P. Pursuant to the Term Sheet and the Term Sheet Order, the Steering Committee has, since December 12, 1997, pursued, controlled, funded, and managed litigation of the Action for and on behalf of the Defendants, including the Debtors. The litigation against FPL and others has been financed by the Bondholders through, *inter alia*, out-of-pocket funding by members of the Steering Committee and use of funds on deposit in certain "Deemed Payment Accounts" (as that term is defined in the Term Sheet), which are under the dominion and control of the Indenture Trustee, and which are the sole and exclusive property of the "Bondholder Lenders" (as that term is defined in the Term Sheet). To date, the Bondholders have spent several million dollars in connection with the Action.

Q. The Term Sheet specifically contemplated such control of the litigation by the Bondholders, as well as the Bondholders' pursuit of a settlement such as the one reflected in the Settlement Agreement, by providing that "[t]he Majority Bondholders shall control, fund and manage any litigation . . . against FPL and/or any third party and may in the Majority Bondholders' collective sole discretion, enter into any settlement agreement or other arrangement relating thereto and the Equity-Affiliated Lenders and the Debtors shall have no

right of approval with respect to any such settlement agreement or arrangement” Term Sheet, at 10. The Term Sheet required the approval by this Court of any settlement if the Bankruptcy Cases were still pending, and the Term Sheet also required each of the parties to the Term Sheet, including the Debtors, to use their best efforts to obtain approval of such settlement.

R. The commercial dispute underlying the Action is complex and fact intensive. To date, litigation of the Action has involved production of hundreds of thousands of pages of documents, the conduct of over sixty depositions, and appearances before the State Court. In October, 1998, the Defendants, at the direction of the Steering Committee, filed a motion for summary judgment on the issue of commercial operation. After exhaustive briefing, by Order dated June 3, 1999, the State Court denied the Defendants’ motion for summary judgment, and the State Court thereafter entered a series of Orders relating to pretrial proceedings and scheduled the Action for trial before a jury on September 5, 2000.

S. As required by the State Court’s pretrial Orders and as is customary in Florida state courts, in early July, prior to final pretrial preparation, the parties to the Action participated in a nonbinding mediation proceeding before Jay M. Cohen, a mediator jointly selected by the parties. In connection with the mediation, the parties submitted extensive materials relating to the Action and held a series of meetings among themselves and with the mediator. As an outgrowth of the mediation and prior settlement negotiations, FPL, the Steering Committee, and the Indenture Trustee reached agreement on a resolution of the Action, the terms of which are documented in the Settlement Agreement. The Settlement Agreement, by its terms, is subject to the approval of this Court and the Florida Public Service Commission (the “PSC”). The State Court has rescheduled trial of the Action for the docket commencing on April 9, 2001, in the event that the requisite approvals are not obtained.

T. As the Debtors' duly authorized representatives pursuant to the Term Sheet and the Term Sheet Order, the Steering Committee is entitled to move this Court for an order approving the Settlement Agreement pursuant to Federal Rule of Bankruptcy Procedure 9019 ("Rule 9019") and other applicable law.

II. THE SETTLEMENT AGREEMENT

U. The Settlement Agreement represents a complete resolution of rights, claims, and causes of action that may exist among the Defendants and FPL. The actual terms of the Settlement Agreement control in the event that there is any inconsistency with the features described below.

V. The Settlement Agreement provides for the compromise and settlement of the Standard Offer Contracts and the Other Party Claims (as those terms are defined in the Settlement Agreement) that the Defendants have asserted against FPL and its affiliates. Pursuant to the Settlement Agreement, and conditioned upon the approval thereof by this Court and the PSC, FPL has agreed to pay and the Defendants have agreed to accept the following in full satisfaction, accord, and release of the Standard Offer Contracts and of the Other Party Claims: (a) \$222,500,000 (the "Settlement Amount") to be transferred to the Indenture Trustee in accordance with the wire transfer instructions attached to the Settlement Agreement as Exhibit C; (b) execution and delivery of the FPL Release (as defined in the Settlement Agreement); (c) execution and delivery to the Defendants for filing in the State Court a joint stipulation of dismissal with prejudice of the Action in the form attached to the Settlement Agreement as Exhibit H; (d) execution and delivery by FPL, Okeelanta Power, Gator, and Osceola Power to the Escrow Agent of joint written instructions directing payment to the Indenture Trustee of the Escrowed Property and Accrued Amounts (as defined in the escrow agreement) held by the

Escrow Agent (as defined in the Settlement Agreement) in each of the Okeelanta Escrows and the Osceola Escrows in the forms attached to the Settlement Agreement as Exhibits D through G; and (e) delivery of such further receipts, acknowledgements, disclaimers, or undertakings as are reasonably requested by counsel to the Bondholders. The return of the escrows will result in excess of \$3,000,000 being paid to the Indenture Trustee, which is to hold the returned Escrowed Property and Accrued Amounts and the Settlement Amount separate and apart from the Deemed Payment Account pending further order of this Court.

W. The Settlement Agreement also provides for the release and compromise of the Standard Offer Contracts and the FPL Claims (as those terms are defined in the Settlement Agreement) that FPL has asserted against the Defendants. Pursuant to the Settlement Agreement, and also conditioned upon the approval thereof by this Court and the PSC, FPL has agreed to accept the following in full satisfaction, accord, and release of the Standard Offer Contracts and of the FPL Claims: (a) execution and delivery of the Other Party Releases (as defined in the Settlement Agreement); (b) execution and delivery with FPL for filing in the State Court a joint stipulation of dismissal with prejudice of the Action in the form attached to the Settlement Agreement as Exhibit H; (c) execution and delivery by FPL, Okeelanta Power, Gator, and Osceola Power to the Escrow Agent of joint written instructions directing payment to the Indenture Trustee of the Escrowed Property and Accrued Amounts (as defined in the escrow agreement) held by the Escrow Agent in each of the Okeelanta Escrows and the Osceola Escrows in the forms attached to the Settlement Agreement as Exhibits D through G; (d) dismissal of the Adversary Proceeding with prejudice, all parties to bear their own costs and fees; and (e) delivery of such further receipts, acknowledgements, disclaimers, or undertakings as are reasonably requested by FPL.

X. Additionally, as set forth in paragraph 3.05 of the Settlement Agreement, the Settlement Agreement is in respect of termination of the Standard Offer Contracts.

Y. The effectiveness of the Settlement Agreement is expressly conditioned upon the satisfaction or waiver of the following conditions: (i) the execution and delivery of the Settlement Agreement by each signatory thereto, which condition has been satisfied; (ii) the entry by this Court of an unqualified, final, and no longer appealable order, in form and substance satisfactory to the Bondholders, the Indenture Trustee, and FPL approving the Settlement Agreement pursuant to Rule 9019, Section 105 of the Bankruptcy Code, or any other applicable law; binding the Defendants and any trustee appointed or to be appointed for the estates of the Debtors, including in the Bankruptcy Cases or in the event of the conversion of the Bankruptcy Cases to a liquidation under Chapter 7 of the Bankruptcy Code, with regard to the terms and conditions of the Settlement Agreement; dismissing the Adversary Proceeding with prejudice, all parties to bear their own costs and fees; and authorizing the Indenture Trustee to hold and invest the proceeds of the Settlement Agreement and the Escrowed Property and Accrued Amounts separate and apart from the Deemed Payment Account pending further order of this Court; directing the Defendants to agree to be bound by the terms and conditions of the Settlement Agreement and comply with its terms; and directing the Defendants to execute and deliver the Other Party Releases and the joint escrow instructions referred to in the Settlement Agreement; and (iii) the unqualified, final, and no longer appealable determination of the PSC, in form and substance acceptable to FPL, that the terms and conditions of the Settlement Agreement are an appropriate buy-out of the Standard Offer Contracts and authorizing FPL to recover the Settlement Amount from its customers through FPL's Capacity Cost Recovery and Fuel and Purchased Power Cost Recovery Clauses.

Z. On Friday, July 28, 2000, FPL filed the necessary petition with the PSC seeking approval of the settlement embodied in the Settlement Agreement and authorization to recover the Settlement Amount from its customers (the "PSC Approval"). The staff of the PSC has recommended that the PSC grant the PSC Approval. The effectiveness of the Settlement Agreement remains conditioned upon obtaining the PSC Approval.

AA. The Settlement Agreement does not purport to administer the proceeds of the Settlement Agreement, including the Settlement Amount and any escrowed amounts, other than to provide that the Indenture Trustee's Liens upon and security interests in substantially all of the property used in connection with the Facilities, including the Standard Offer Contracts, shall also attach to the Settlement Amount with the same effect as to validity, perfection, and priority as such Liens, and to direct that the Indenture Trustee hold and invest the settlement proceeds separate and apart from the Deemed Payment Account. Distribution of the proceeds of the Settlement Agreement, including the Settlement Amount, awaits further order of this Court, including any order or distribution pursuant to a plan or plans of reorganization.

BB. The terms and conditions of the Settlement Agreement are fair and reasonable, reflect the exercise of the parties' prudent business judgment consistent with their duties, were negotiated and entered into by the parties in good faith, and are supported by fair consideration.

CC. The terms and conditions of the Settlement Agreement are in the best interests of the Debtors, their respective estates, and the creditors thereof, and the Settlement Agreement should therefore be approved.

III. CONCLUSIONS OF LAW

DD. Under Rule 9019, the Court has discretion to authorize the compromise of a claim if that compromise is (i) in the best interests of the debtor, its estate, and its creditors, and (ii) is not attended by fraud or other inequitable circumstances which shock the conscience of the Court. In re Charter Company, 1987 U.S. Dist. Lexis 2738, at *3 (M.D. Fla. 1987). A settlement is to be approved unless it falls below the “lowest point in the range of reasonableness.” In re Arrow Air, Inc., 85 B.R. 886, 891 (Bankr. S.D. Fla. 1988) (citing In re Teltronics Services, Inc., 762 F.2d 185, 189 (2d Cir. 1985)); see also Cosoff v. Rodman (In re W.T. Grant Co.), 699 F.2d 599, 608 (2d Cir. 1983), cert. denied, 464 U.S. 822 (1983). In determining whether to approve an application to settle a controversy, the bankruptcy court should not substitute its judgment for that of the estate representative. In re Neshaminy Office Building Associates, 62 B.R. 798, 803 (E.D. Pa. 1986); see also In re Holywell Corp., 93 B.R. 291, 294-95 (Bankr. S.D. Fla. 1988) (court should determine whether proposed compromise “falls below the ‘lowest point in the range of reasonableness,’” and “is an exercise of business judgment which appears to the Court to be sound, reasonable and practical”) (quoting In re Teltronics Services, Inc., 762 F.2d 185, 189 (2d Cir. 1985)).

EE. Specifically, the following factors should be included in a bankruptcy court’s consideration of whether to approve or disapprove a proposed settlement:

- (a) The probability of success in the litigation;
- (b) the difficulties, if any, to be encountered in the matter of collection;
- (c) the complexity of the litigation involved, and the expense, inconvenience and delay necessarily attending to it;
- (d) the paramount interest of the creditors and a proper deference to their reasonable views in the premises.

In re Justice Oaks II, Ltd., 898 F.2d 1544, 1549 (11th Cir. 1990) (quoting cases); see also Arrow Air, 85 B.R. at 891 (quoting cases).

FF. The Settlement Agreement in this case is the result of careful, thorough deliberation and detailed settlement negotiations on the part of the Steering Committee on behalf of the Bondholders, as duly authorized estate representatives, and the other parties to the Settlement Agreement, concerning the factual and legal matters at issue in the Action. The execution of the Settlement Agreement represents the sound business judgment that settlement with FPL under the terms and conditions of the Settlement Agreement is both fair and equitable and in the best interests of the Debtors and their estates.

GG. The \$222,500,000 Settlement Amount, augmented by the return of in excess of \$3,000,000 in escrows, provides substantial funds for the benefit of the Debtors' estates. The Settlement Agreement also avoids the uncertainty and substantial expense inherent in complex litigation of the type presented in the Action. Moreover, the Settlement Agreement will enable a more prompt distribution to the creditors of these estates than could be obtained through protracted litigation and appeals.

HH. In addressing the probability of success on the merits, "the Court must not rest its approval upon a resolution of the ultimate factual and legal issues underlying the disputes that are compromised." Arrow Air, 85 B.R. at 891 (citing cases). As Judge Cristol noted in Arrow Air:

. . . [T]he very uncertainties of litigation, as well as the avoidance of wasteful litigation and expense, lay behind the Congressional infusion of a power to compromise. This is a recognition of the policy of the law generally to encourage settlements. This could hardly be achieved if the test on hearing for approval meant establishing success or failure to a certainty. Parties would be hesitant to explore the likelihood of settlement apprehensive as they would then be that the application for approval would necessarily result in a judicial determination that there was no escape from liability or no hope of recovery and hence no basis for a compromise.

Id. (quoting Florida Trailer and Equip't Co. v. Deal, 284 F.2d 567, 571 (5th Cir. 1960)). Analyzed within this framework, the Settlement Agreement should be approved.

II. A trial of the Action would be expected to last five to eight weeks, and would be exceedingly complex, as FPL has put at issue, *inter alia*, whether it had or has any obligation after January 1, 1997, under the Standard Offer Contracts and the ability of the Facilities to operate over the thirty-year term of the Standard Offer Contracts. A trial would require expert testimony with respect to complicated technical, operational, and engineering issues and the calculation of lost profits and reliance damages. The Defendants' cost of such a trial would likely be equal to several million dollars. The inherent uncertainty of such a trial is further compounded by the fact that in order to render a significant verdict in favor of the Defendants (including the Debtors) on the Defendants' counterclaims against FPL, any jury hearing this matter will not only have to endure participation in a lengthy trial, but also would, in effect, be making a decision that may have the direct effect of causing an increase in their own power rates, as FPL would likely argue that any damages should be recoverable from its customers. There is also a substantial risk that FPL would prevail in the Action completely, and the Debtors' estates would receive nothing with respect to the Standard Offer Contracts. In such an event, the creditors of these estates would receive little, if any, recovery on account of their claims. Furthermore, any substantial verdict is sure to require years of appeals before any recovery.

JJ. The Settlement Agreement provides to the Debtors and their estates far more than if the issues were decided adversely, but an amount and consideration that is adequate even were the issues to be decided favorably. As a consequence, for the reasons set forth above, settlement of the Action on the terms proposed in the Settlement Agreement is a reasonable compromise and settlement of the claims relating to the Action.

KK. The Settlement Agreement is in the best interests of the Debtors and their estates, and the Settlement Agreement clearly does not fall "below the lowest point in the range of reasonableness."

ACCORDINGLY, IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

1. The Motion is GRANTED in all respects, and the Settlement Agreement with FPL is authorized and approved in all respects.

2. The Settlement Agreement approved by this Order is binding on each of the Defendants and any trustee appointed or to be appointed for the estates of the Debtors, including in the Bankruptcy Cases or in the event of the conversion of the Bankruptcy Cases to a liquidation under Chapter 7 of the Bankruptcy Code, and in any superseding cases, and the Settlement Agreement is binding on creditors and other parties in interest in the Bankruptcy Cases.

3. The Adversary Proceeding commenced by the Debtors against FPL in the above-captioned cases, which is now pending in this Court under Adversary Proceeding No. 97-0514, is dismissed with prejudice, all parties to bear their own costs and fees; provided, however, that such dismissal is conditioned upon satisfaction of the other conditions for effectiveness of the Settlement Agreement, including the PSC Approval.

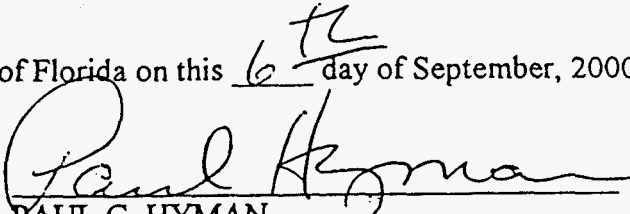
4. All of the Defendants are authorized and directed to (a) agree to be bound by the terms and obligations of the Settlement Agreement; (b) execute and deliver the requisite documents, including, but not limited to, the Other Party Releases and the joint stipulation of dismissal with prejudice of the Action in the form attached to the Settlement Agreement as Exhibit H upon satisfaction of the other conditions to effectiveness contained in the Settlement

Agreement; and (c) take such other actions as are necessary or desirable to implement the Settlement Agreement.

5. The Indenture Trustee's Liens upon substantially all of the property used in connection with the Facilities, including the Standard Offer Contracts, shall also attach to the Settlement Amount with the same effect as to validity, perfection, and priority as such Liens upon the Facilities and the Standard Offer Contracts; provided, however, that this Order and the Settlement Agreement shall be without prejudice to the right of any creditor, any trustee appointed in these or any superseding cases, or any other party in interest (other than the Debtors) to challenge the amount, right, priority, or validity of any lien, mortgage, or security interest asserted against any property of the estate of any of the Debtors, including the Liens of the Indenture Trustee.

6. The Indenture Trustee is directed to hold and invest the settlement proceeds, including the Settlement Amount, separate and apart from the Deemed Payment Account pending further order of this Court.

ORDERED in the Southern District of Florida on this 6th day of September, 2000.


PAUL G. HYMAN
UNITED STATES BANKRUPTCY JUDGE

Copy to David M. Levine, Esq.

David M. Levine, Esq. is directed to serve copies of this Order on the parties on the Official Service List and to file a certificate of service.