



KGen Power Corporation

July 7, 2009

KGEN POWER CORPORATION ADOPTS SHAREHOLDER RIGHTS PLAN

On June 30, 2009, the Board of Directors of KGen Power Corporation approved the adoption of a shareholder rights plan. The Board has taken this action to protect the Company's shareholders from any attempt that might be made to accumulate a controlling share position in the Company, including a share position that would allow one shareholder or group of shareholders to prevent a sale transaction approved by the Board, without compensating all shareholders fairly for that control. The rights plan is intended to ensure that the Board has flexibility to consider all offers for the Company and enhance the Company's ability to negotiate with anyone seeking to control or acquire the Company. The rights plan will give shareholders and the Board adequate time to assess a takeover proposal in relation to the circumstances and prospects of the Company with a view to maximizing value for all shareholders. The rights plan is not aimed at preventing an acquisition of the Company and does not prevent the Board from considering any offer for the Company.

Our rights plan, which incorporates "shareholder friendly" features recommended by RiskMetrics Group, a prominent proxy and governance advisory firm, is intended to reflect progressive corporate governance practices. These include the following:

- A three-year term rather than the traditional ten-year term.
- No feature that limits the ability of the Board (or any future board) to redeem, amend or terminate the rights plan at any time.
- The Company intends to seek shareholder ratification of the rights plan at the Company's next annual meeting and, if shareholders vote not to approve the rights plan, it will automatically terminate.
- A shareholder redemption feature (also known as a "chewability" feature) under which, if the Board refuses to redeem the rights plan within 90 days after a "qualified offer" for all of the Company's shares is commenced, holders of a majority of the Company's shares held by shareholders other than the offeror can act by written consent to terminate the rights plan.

In connection with the rights plan, the Board declared a dividend of one right for each share of common stock of the Company outstanding as of the close of business on July 6, 2009. Each right, when it becomes exercisable, will entitle the registered holder to purchase from the Company one one-thousandth of a share (each, a "Unit") of a newly created Series A Preferred Stock, par value \$0.01 per share, at a purchase price of \$25 per Unit. The rights of a holder of a Unit are substantially equivalent to the rights of a holder of a share of common stock.

Under the rights plan, the rights will be exercisable on the earlier to occur of (i) the 10th calendar day after a public announcement that a person or group of affiliated or associated persons has become the beneficial owner of 15% or more of the Company's outstanding common stock (which includes common stock referenced in derivative transactions and securities), or (ii) the 10th calendar day after the commencement of a tender or exchange offer the consummation of which would result in a person becoming such 15% beneficial ownership. In the event that any person or group of affiliated or associated persons acquire such beneficial ownership, each right will entitle its holder to purchase, at the then-current exercise price of the rights, a number of Units having a market value (determined based on the market price of the Company's common stock) of twice the exercise price. When a person or group of affiliated or associated persons becomes a 15% beneficial owner, the rights owned by such person or group will become void and will not be exercisable, thereby diluting such person's or group's holdings. If a person or group of affiliated or associated persons becomes a 15% beneficial owner, instead of allowing the rights to become exercisable, the Board may, at its election, exchange each outstanding right (other than the rights held by such person or group) for three (3) units, or at the election of the Board, three (3) shares of common stock.

As noted above, the rights plan includes a shareholder redemption, or "chewability," feature under which, if the Board refuses to redeem the rights plan within 90 days after a "qualified offer" is commenced, holders of a majority of the Company's shares held by shareholders other than the offeror can act by written consent to terminate the rights plan. A "qualified offer" is defined as an offer that (i) is fully financed, all cash tender offer and/or an exchange offer for all outstanding shares at the same per share consideration, (ii) assures a prompt second-step acquisition of shares not purchased in the initial offer at the same price as the initial offer, (iii) if it is a stock offer, will consist of freely tradable stock listed on a national securities exchange, and (iv) meets certain minimum tender and other requirements, including remaining open for a period of at least 120 business days or, if earlier, until at least 10 business days following a redemption of the rights by the Company or by action of the shareholders.

The rights are not exercisable initially and certificates representing the rights will not be sent to shareholders. The rights will trade with KGen's common stock until they become exercisable. The Board may redeem the rights, at a redemption price of \$0.0001 per right, or terminate the rights plan at any time prior to the expiration of the rights plan or the 10th business day after the time a person or group acquires beneficial ownership of 15% or more of the Company's common stock, whichever is earlier. Until the rights are exercised, the holders, as such, will have no rights as a shareholder of the Company, including the right to vote or to receive dividends.

While the rights plan is effective immediately, the Company intends to seek ratification of the rights plan by the Company's shareholders at the Company's next annual meeting. The rights plan will expire on July 6, 2012, or earlier upon the occurrence of any of the following events: (i) the Board redeems or terminates the rights plan, (ii) the Company's shareholders vote not to approve the rights plan, or (iii) July 6, 2010, if the holders of a majority of the Company's outstanding shares have not approved the rights plan by that date.

The adoption of the rights plan will have no effect on the financial strength of the Company or affect its business plans. Until the rights become exercisable, they will have no dilutive effect on the value of the common stock; will not affect reported earnings per share; should not be taxable to the Company or to shareholders; and will not change the way in which shareholders can trade the Company's shares. We believe that by adopting the rights plan, we have expressed our confidence in the Company's future and our determination that you, our shareholders, be given every opportunity to participate fully in that future.

The terms of the rights plan are set forth in the shareholders rights agreement adopted by the Company, which is available on the Company's website at www.kgenpower.com. The Company's website also contains a summary description of certain terms of the rights plan. We urge you to read the rights agreement and the summary description in their entirety for a complete understanding of the rights plan.

We encourage you to call Thomas White at (713) 979-1935, or any of the other directors, with any questions.

The Board of KGen Power Corporation

Daniel Hudson (Chairman)
James P. Jenkins
Gerald J. Stalun
Thomas B. White