



KGen Power Corporation

April 11, 2008

We have received the attached notification from certain stockholders of their intent to have the stockholders of the KGen take action by written consent. These stockholders are seeking to remove three of our directors including Gerald Lindner, our Chairman and Chief Executive Officer, from the Board. In addition, they recommend that Mr. Lindner be removed as an officer of the Company. The Board will send out the formal notice of the proposed consent to our stockholders of record in due time, but we believe that it is appropriate to provide an interim response.

It is the unanimous view of all the members of the Board, including the two independent directors most recently appointed after shareholder input, that the actions proposed in the notice are not in the best interests of the Company. All of the members of Board vehemently disagree with the unsubstantiated assertion that some of its members are not acting in the best interests of stockholders. An assertion which impugns the judgment of one member calls into question the actions of the entire Board. Thus, if the proposed actions in the notice were implemented, each Board member not named in the notice will have to seriously consider whether it is appropriate for such member to remain on the Board.

To date, all Board decisions have been unanimous and there is no dissention from the view that the management of the company, including the Chief Executive Officer, has been executing the corporate strategy that was outlined in the initial private offering memorandum under which the Company's securities were sold and in other communications regarding strategy. Also, there have been no formal requests to the Board by the stockholders to change the strategy of the Company.

After considering qualified candidates, the Board has retained Credit Suisse to report directly to independent directors regarding its evaluation of all of the Company's options for enhancing shareholder value going forward including the sale of the Company, sale of individual assets, potential business combinations, and continuing to enhance the value of our existing assets. We believe that the removal of the Chief Executive Officer who assembled the Company's management team and purchased its assets at the time the Company may be selling itself or its assets is premature, disruptive and likely to adversely affect the current share price and the prospects for strategic transactions on attractive terms.

We believe that it is in the best interests of all stockholders to allow the Board and Credit Suisse to complete the review of the Company's strategic options and the dissemination to the stockholders of the results of that review before any decisions are made with respect to the direction of the Company, the composition of its board and/or its management team. Any other result would be contrary to the principles of good corporate governance. The Board will be distributing further information on this matter and requests that all stockholders reserve judgment until then.

The Board of Directors of KGen Power Corporation

William Grealis  
Harrison Wellford  
William Rockford  
Daniel Hudson  
Ramon Betolaza  
Joseph Piazza  
Gerald K. Lindner

King Street Capital, L.P.  
King Street Capital, Ltd.  
c/o King Street Capital Management, L.L.C.  
65 East 55th Street, 30th Floor  
New York, NY 10022

Luminus Asset Partners, LP  
Luminus Energy Partners Master Fund, Ltd.  
c/o Luminus Management, LLC  
1700 Broadway, 38th Floor  
New York, NY 10019

Stonehill Institutional Partners, L.P.  
Stonehill Offshore Partners LLC  
c/o Stonehill Capital Management LLC  
885 3rd Ave, 30<sup>th</sup> Floor  
New York, NY 10022

American Durham, L.P.  
International Durham LTD  
c/o Durham Asset Management L.L.C.  
680 Fifth Avenue, 22<sup>nd</sup> Floor  
New York, New York 10019

April 4, 2008

**VIA FACSIMILE AND OVERNIGHT MAIL**

William Marlow, Esq.  
Secretary  
KGen Power Corporation  
Four Oaks Place  
1330 Post Oak Blvd Suite 1500  
Houston, TX 77056

Dear Mr. Marlow:

King Street Capital, Ltd. and King Street Capital, L.P. (collectively, the “King Street Funds”), the beneficial owners of 5,574,000 shares of the common stock of the KGen Power Corporation (the “Company”) (held by Cede & Co., as nominee), Luminus Energy Partners Master Fund, Ltd. and Luminus Asset Partners, LP (collectively, the “Luminus Funds”), the beneficial owners of 4,884,480 shares of the common stock of the Company (held by Cede & Co., as nominee), Stonehill Institutional Partners, L.P. and Stonehill Offshore Partners LLC (collectively, the “Stonehill Funds”), the beneficial owners of 2,947,500 shares of the common stock of the Company (held by Cede & Co., as nominee), and American Durham, L.P. and International Durham LTD (collectively, the “Durham Funds”), the beneficial owners of 1,445,850 shares of the common stock of the Company (held by Cede & Co., as nominee) hereby notify the Company of their intention to seek to have the stockholders of the Company act by written consent to:

1. remove Mr. Gerald Lindner, Mr. Ramon Betolaza and Mr. Joseph Piazza as directors of the Company,
2. elect Thomas B. White as a director of the Company,
3. strongly recommend that the Board of Directors of the Company (the “Board”) remove Mr. Lindner as an officer of the Company,
4. remove from the Board any director first elected or appointed to the Board on or after the date of this letter or any director appointed to the Board prior to the date of this letter whose appointment was not publicly disclosed by the Company prior to the date

of this letter, in each case other than Mr. White, and

5. repeal any amendments to the Amended and Restated By-Laws of the Company (the “By-Laws”) adopted by the Board since the 2007 annual meeting of stockholders of the Company.

Pursuant to Section 2.8(b) of the By-Laws, the King Street Funds, Luminus Funds, Stonehill Funds and Durham Funds request that the Board fix a record date for this action.

The King Street Funds, Luminus Funds, Stonehill Funds and Durham Funds are seeking the removal of Messrs. Lindner, Betolaza and Piazza as directors and the removal of Mr. Linder as an officer of the Company because the King Street Funds, Luminus Funds, Stonehill Funds and Durham Funds believe that these individuals have failed and are failing to act in the best interest of the Company and its stockholders. The King Street Funds, Luminus Funds, Stonehill Funds and Durham Funds are seeking the election of Mr. White because they believe Mr. White would bring a valuable independent point of view to the Board. With the election of Mr. White and the removal of Messrs. Lindner, Betolaza and Piazza, a majority of the directors would be individuals who the King Street Funds, Luminus Funds, Stonehill Funds and Durham Funds believe will be committed to acting in the best interest of the Company and its stockholders.

The King Street Funds, Luminus Funds, Stonehill Funds and Durham Funds also seek to take the actions described in 4. and 5. above in order to reverse any director appointment or By-Laws amendment the Board may have made or adopted or may make or adopt with the purpose or effect of thwarting the objectives sought to be achieved by the contemplated stockholder action by written consent. Each of the King Street Funds, Luminus Funds, Stonehill Funds and Durham Funds strongly urges the Company and the Board not to approve or take, and reserves the right to pursue all legal rights and remedies against any directors of the Company that approve or take, on or after the date of this letter, any material transaction, any commitment to pay any termination or similar fee, any other action outside the ordinary course of business, or any other action that could impair the ability of the Board to act in the best interest of the Company and its stockholders after the removal of Messrs. Lindner, Betolaza and Piazza and the election of Mr. White pursuant to the contemplated action by written consent.

Mr. White’s biography is as follows:

Thomas B. White (Age 51)

Business Address:

701 Sixth Ave., Suite 6800

Seattle, WA, 98104

Since 2006, Mr. White has been employed as a director by Stark Investments (“Stark”), a multi-strategy asset management firm with over \$14 billion in assets under management. At Stark, Mr. White has been responsible for the identification, evaluation, and closing on private equity type investments in physical energy assets and businesses, as well as supporting continuing asset management activities for investments made by Stark through the energy asset team and investment employed through other asset strategies including risk arbitrage and commodity hedging structures.

From 2002 to 2006, Mr. White was employed by Marathon Capital, LLC (“Marathon”), a

boutique investment banking firm focusing on the power generation and renewable energy markets, where he was an officer and Managing Director from 2003 to 2006. At Marathon, Mr. White was the principal executive responsible for banking, origination and marketing activities which included the sourcing, evaluation, and closing of non-recourse financing structures for renewable and conventional energy assets and for managing financial consulting efforts with corporate clients in the acquisition and divestiture of energy assets and portfolios in these markets.

From 1996 to 2002, Mr. White was employed by Duke Energy, where he was senior director, Development, for Duke Energy North America from 2001 to 2002 and Vice President, Industrial Services, for DukeSolutions, Inc. for 1997 to 2001.

Mr. White received his Bachelor of Sciences in Mechanical Engineering from the University of Illinois and is a Registered Professional Engineer in the State of Illinois. From 2004 to 2007, Mr. White was a Registered Representative and held Series 7 and Series 63 Licenses. Neither Mr. White nor any of his associates beneficially own any shares of the Company. Stark Global Opportunities Master Fund Ltd. and Stark Master Fund Ltd. (collectively the "Stark Funds") are, together, the beneficial owners of 5,437,129 shares of the Company, and the investment manager for each of the Stark Funds is an affiliate of Stark Investments.

Attached as Exhibit A is Mr. White's written consent to be named as a prospective director or to serve as a director if he is elected.

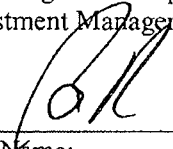
The undersigned trusts that the Board will take immediate action to set a record date pursuant to the Company's By-Laws, which state that the Board shall, within five (5) days of the receipt of such notice and request, pass a resolution setting a record date which is no later than five (5) business days from the date of this notice. Please notify Philip Richter at Fried, Frank, Harris, Shriver & Jacobson, LLP via email at [Philip.Richter@friedfrank.com](mailto:Philip.Richter@friedfrank.com) or via fax at (212) 859-4000 of the record date fixed by the Board.

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Very truly yours,


KING STREET CAPITAL, L.P.

By: King Street Capital Management, L.L.C., its  
Investment Manager

By:   
Name: \_\_\_\_\_  
Title: **Bruce S. Darringer**  
**Chief Operating Officer**

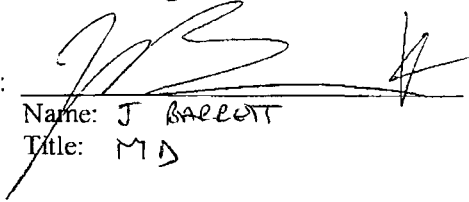
KING STREET CAPITAL, LTD.

By: King Street Capital Management, L.L.C., its  
Investment Manager

By:   
Name: \_\_\_\_\_  
Title: **Bruce S. Darringer**  
**Chief Operating Officer**

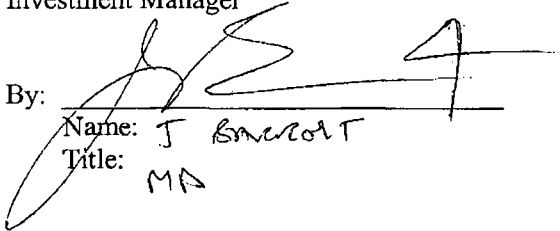
LUMINUS ASSET PARTNERS, LP

By: Luminus Management, LLC, its  
Investment Manager

By:   
Name: J BARRETT  
Title: MD


LUMINUS ENERGY PARTNERS MASTER  
FUND, LTD.

By: Luminus Management, LLC, its  
Investment Manager

By:   
Name: J BARRETT  
Title: MD

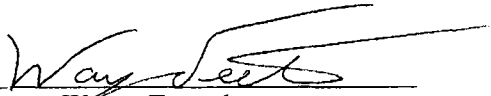
STONEHILL INSTITUTIONAL PARTNERS,  
L.P.

By: Stonehill Capital Management LLC, its  
Investment Advisor

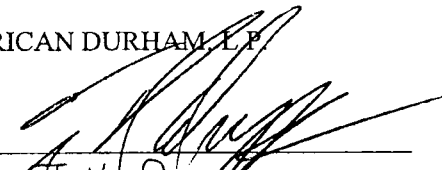
By:   
Name: Wayne Teetsel  
Title: Managing Member

STONEHILL OFFSHORE PARTNERS LLC

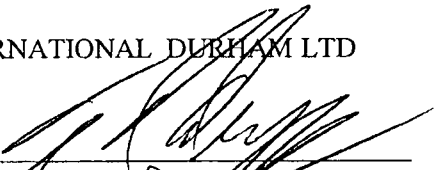
By: Stonehill Capital Management LLC, its  
Investment Advisor

By:   
Name: Wayne Teetsel  
Title: Managing Member

AMERICAN DURHAM L.P.

By:   
Name: T. K. DUGGAN  
Title: MANAGING PRINCIPAL

INTERNATIONAL DURHAM LTD

By:   
Name: T. K. DUGGAN  
Title: MANAGING PRINCIPAL



cc: Members of the Board of Directors  
Douglas Tanner, Esq.

**Exhibit A**

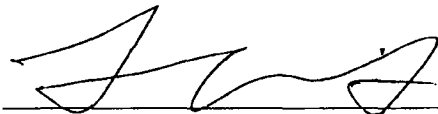
**Written Consent**

CONSENT TO BEING NAMED AS A NOMINEE AND  
TO SERVE AS DIRECTOR OF KGEN POWER CORPORATION

William Marlow, Esq.  
Secretary  
KGen Power Corporation  
Four Oaks Place  
1330 Post Oak Blvd Suite 1500  
Houston, TX 77056

The undersigned hereby consents (x) to being named as a nominee for election to the Board of Directors of KGen Power Corporation, a Delaware corporation (the "Company"), (y) to be named as such in the consent solicitation materials of King Street Capital, Ltd., King Street Capital, L.P., Luminus Energy Partners Master Fund, Ltd., Luminus Asset Partners, LP, Stonehill Institutional Partners, L.P., Stonehill Offshore Partners LLC, American Durham, L.P. and International Durham LTD, and (z) if duly elected by the stockholders of the Company, to serve as a director of the Company.

Dated: April 4, 2008.

A handwritten signature in black ink, appearing to read 'T. White', is written over a horizontal line.

Name: Thomas B. White