



KGen Power Corporation

## **KGEM POWER CORPORATION SIGNS DEFINITIVE AGREEMENT TO SELL MURRAY I AND MURRAY II FACILITIES**

### **Key Milestone in the Company's Value Maximization Efforts**

The Board of Directors of KGen Power Corporation is pleased to announce the execution of a definitive agreement for the sale of the Company's Murray I and Murray II electric generation facilities to Oglethorpe Power Corporation, a power supply cooperative, for a cash purchase price of \$531.25 million, subject to working capital and spare parts inventory adjustments. This transaction is a key milestone in our process of maximizing the value of the Company's assets for our shareholders.

The transaction will be implemented by means of a sale of 100% of the ownership interests in KGen Murray I and II LLC, the entity that owns the Murray facilities. Located in Murray County, Georgia, these facilities are comprised of two natural gas-fired, combined-cycle power generation plants with a combined nominal capacity of 1,250 megawatts.

The transaction is conditioned upon the receipt of approval of the sale from holders of a majority of the Company's outstanding shares, approval of the Federal Energy Regulatory Commission, clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, certain third-party consents and certain other customary closing conditions. The transaction, which is not subject to any financing condition, is expected to close in April of 2011.

We expect to use the Company's tax net operating losses (NOLs) to offset all but approximately \$45 million of taxable gain resulting from the sale. In connection with the closing of the transaction, the Company's credit and working capital facilities will terminate. The Company expects to use approximately \$139 million of the net proceeds of the sale to repay outstanding debt under these facilities and satisfy related obligations. Under the terms of the transaction agreement, approximately \$80 million of the purchase price will be placed in escrow for a period of 18 months after closing to secure customary post-closing indemnification obligations.

The Board expects to declare a special dividend to shareholders out of the net proceeds of the sale. The amount of the dividend will be determined by the Board after closing of the transaction based on its review of the Company's on-going cash needs.

You will shortly receive proxy materials for a special meeting of shareholders we will hold for the purpose of voting on the sale of the Murray facilities. These materials will include a more detailed summary of the terms of the transaction. Please sign and return your proxy as soon as possible. In the meantime, a copy of the definitive sale agreement is available at [www.kgenpower.com](http://www.kgenpower.com).

**Your Board has unanimously approved the transaction and strongly recommends that you vote your shares in favor of the transaction.**

Credit Suisse Securities (USA) LLC acted as financial advisor to the Company in connection with the transaction.

We encourage you to call Daniel Hudson at (281) 252-5201, or any of the other Directors, if you have any questions.

### **The Board of KGen Power Corporation**

Daniel Hudson (Chairman)

James P. Jenkins

Gerald J. Stalun

Thomas B. White (President and Chief Executive Officer)

### **About KGen Power Corporation**

KGen Power Corporation owns and operates merchant electric power generation plants and sells electricity and electrical generation capacity. Its existing portfolio consists of four operational and fully permitted power plants in the southeastern United States, with an aggregate capacity of 2,390 megawatts. For more information, visit [www.kgenpower.com](http://www.kgenpower.com).

