

KGEN POWER CORPORATION

SUMMARY OF THE TERMS OF THE RIGHTS TO PURCHASE  
UNITS OF  
SERIES A PREFERRED STOCK

On December 17, 2012, the Board of Directors of KGen Power Corporation (the “Company”) declared a dividend distribution of one purchase right (a “Right”) for each outstanding share of Common Stock, par value \$0.01 per share (“Common Stock”), of the Company, payable to stockholders of record on December 20, 2012, and issuable as of that date. Except in the circumstances described below, each Right, when it becomes exercisable, entitles the registered holder to purchase from the Company one one-thousandth of a share of Series A Preferred Stock, \$0.01 par value, of the Company (“Preferred Stock” and each one one-thousandth of a share of Preferred Stock, a “Unit”) at a price of \$10.00 per share (the “Purchase Price”). The rights of a holder of a Unit are substantially equivalent to the rights of a holder of a share of Common Stock. The description and terms of the Rights are set forth in a Rights Agreement (the “Rights Agreement”) between the Company and Computershare Shareowner Services LLC (the “Rights Agent”).

As discussed below, initially the Rights will not be exercisable, certificates will not be sent to stockholders and the Rights will automatically trade with the Common Stock.

The Rights will be evidenced by the Common Stock certificates, and Rights relating to shares of Common Stock not represented by certificates will be represented by notation on the records of the Company, until the close of business on the earlier to occur of (i) the tenth calendar day after a public announcement that a person or group of affiliated or associated persons has become an “Acquiring Person”, which is defined as a person who, at any time after the date of the Rights Agreement, has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the Common Stock of the Company then outstanding (which includes common stock referenced in derivative transactions and securities), subject to certain exceptions described below, or (ii) the tenth calendar day (or a later date determined by the Board of Directors) after the commencement of a tender or exchange offer the consummation of which would result in a person becoming an Acquiring Person (the earlier of these dates is called the “Distribution Date”).

As soon as practicable following a Distribution Date, the Rights Agent will, if requested to do so by the Company, mail separate certificates evidencing the Rights (“Right Certificates”) to holders of record of shares of the Common Stock as of the close of business on the Distribution Date, and those separate certificates alone will evidence the Rights from and after the Distribution Date.

Each of the following persons will not be deemed to be an Acquiring Person, even if they have acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the shares of Common Stock of the Company then outstanding: (i) the Company, any subsidiary of the Company, any employee benefit plan or employee stock plan of the Company or any

subsidiary of the Company, or any person organized, appointed, established or holding Common Stock of the Company for or pursuant to the terms of any such plan; (ii) any underwriter acting under an agreement with the Company; (iii) any person who becomes the beneficial owner of 15% or more of the shares of Common Stock of the Company then outstanding, with the prior approval of the Board of Directors (so long as the person's beneficial ownership level does not exceed the level approved by the Board of Directors); (iv) any person who becomes an Acquiring Person solely by virtue of a reduction in the number of outstanding shares of Common Stock of the Company, unless the person's beneficial ownership of shares of Common Stock of the Company thereafter increases by 1% or more, without the prior approval of the Board of Directors; and (v) any person who becomes the beneficial owner of 15% or more of the shares of Common Stock of the Company then outstanding inadvertently, in the judgment of the Board of Directors, and within fifteen business days after discovering that it would be an Acquiring Person (but for this exception) the person notifies the Board of Directors and as promptly as practicable (as determined by the Board of Directors) the person divests itself of beneficial ownership of a sufficient number of the Common Stock so that the person would not be an Acquiring Person (regardless of this exception).

The Rights are not exercisable until after the Distribution Date. The Rights will expire on the close of business on December 31, 2014 (or such earlier date at on which a plan of dissolution of the Company becomes effective) (the "Final Expiration Date"), unless earlier redeemed by the Company as described below. The Company shall promptly notify the Rights Agent in writing upon any plan of dissolution becoming effective, and until any such written notice is received by the Rights Agent, the Rights Agent may presume conclusively for all purposes that no plan of dissolution has become effective.

If the Company receives a Qualified Offer (as described below) and the Board of Directors has not redeemed the outstanding Rights or exempted such offer from the terms of the Rights Agreement, the Rights may be redeemed by way of stockholder action taken by written consent by the holders of record (or their duly authorized proxy) of at least a majority of the shares of Common Stock then outstanding (excluding shares of Common Stock beneficially owned by the person making the Qualified Offer and such person's Affiliates and Associates (as such terms are defined in the Rights Agreement)) authorizing the redemption of the Rights pursuant to the provisions of the Rights Agreement. The Company must receive the written notice not earlier than 90 calendar days following the commencement of a Qualified Offer that has not been terminated prior thereto and that continues to be a Qualified Offer. A "Qualified Offer" is an offer determined by a majority of the independent members of the Board of Directors to have, among other characteristics, each of the following:

- (a) the offer is a fully financed, all cash tender offer, or an exchange offer offering shares of common stock of the offeror, or a combination thereof, in each such case for all of the outstanding shares of Common Stock of the Company at the same per share consideration;
- (b) the Company must have received an irrevocable written commitment of the offeror that the offer will remain open (i) for at least 120 calendar days or (ii) until at least ten business days following a redemption of the Rights by the Company or by action of the stockholders, whichever is earlier;

- (c) the offer is conditioned on a minimum of at least a majority of the outstanding shares of the Common Stock of the Company not held by the person making such offer (and such person's Affiliates and Associates) being tendered and not withdrawn as of the offer's expiration date, which condition shall not be waivable, and must be subject only to other customary terms and conditions, which conditions shall not include any unsatisfied financing, funding or similar conditions;
- (d) the Company shall have received an irrevocable written commitment of the offeror to consummate, as promptly as practicable upon successful completion of the offer, a second step transaction whereby all shares of Common Stock of the Company not tendered into the offer will be acquired at the same consideration per share actually paid pursuant to the offer, subject to stockholders' statutory appraisal rights, if any;
- (e) the Company and its stockholders shall have received an irrevocable written commitment of the offeror that no amendments will be made to the offer to reduce the consideration being offered or to otherwise change the terms of the offer in a way that is adverse to a tendering stockholder; and
- (f) if the offer includes non-cash consideration, (i) the non-cash portion of the consideration offered must consist solely of common stock of a person that is a publicly-held United States corporation, (ii) such common stock must be freely tradable and listed or admitted to trading on a national securities exchange, (iii) no stockholder approval of the issuer of such common stock is required to issue such common stock, or, if such approval is required, such approval has already been obtained.

The Purchase Price, and the number of Units or other securities or property issuable upon exercise of the Rights, are subject to adjustment from time to time to prevent dilution: (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock; (ii) upon the grant to holders of Preferred Stock of certain rights or warrants to subscribe for Preferred Stock or convertible securities at less than the current market price of the Preferred Stock; or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding dividends payable in Preferred Stock) or of subscription rights or warrants (other than those referred to above). The Purchase Price is also subject to adjustment from time to time in the event of a Common Stock dividend on, or a subdivision or combination of, the shares of Common Stock.

In the event any person becomes an Acquiring Person, then each holder of record of a Right, other than the Acquiring Person, will thereafter have the right to receive, upon payment of the Purchase Price, that number of Units having a value (determined based on the market value of the Common Stock of the Company if the Units are not publicly held, listed or traded) at the time the person becomes an Acquiring Person equal to twice the Purchase Price. Any Rights that are or were at any time, on or after the Distribution Date, beneficially owned by an Acquiring Person will become null and void. After such an event, to the extent that insufficient Units are available for the exercise in full of the Rights, holders of Rights will receive upon exercise a

number of Units to the extent available and then Common Stock of the Company or other securities of the Company, assets, or cash, in proportions determined by the Company, so that the aggregate value received is equal to twice the Purchase Price.

The Rights Agreement provides that, on or after a public announcement indicating that a person has become an Acquiring Person, if the Company is acquired in a merger or other business combination (in which any shares of Common Stock are changed into or exchanged for other securities or assets) or more than 30% of the assets or earning power of the Company and its subsidiaries (taken as a whole) are sold or transferred in one or a series of related transactions (in either case, other than pursuant to a definitive agreement executed by the Company prior to such announcement), proper provision will be made so that each registered holder of a Right will have the right to receive, upon payment of the Purchase Price, in lieu of Units, that number of shares of common stock of the acquiring company having a value at the time of that transaction equal to two times the Purchase Price.

No fractional Units will be required to be issued upon exercise of the Rights and, in lieu thereof, a payment in cash equal to the fraction of the then current value of a Unit may be made.

At any time after a person becomes an Acquiring Person, the Board of Directors may exchange all or part of the outstanding Rights (other than those held by an Acquiring Person) for Units at an exchange rate of three Units (or, in the discretion of the Board of Directors for all or certain of the Rights as determined by the Board of Directors, three shares of Common Stock of the Company in lieu thereof or such lesser number of shares of Common Stock (but not less than one) as may be determined by the Board of Directors) for each Right. The Company will promptly give public notice of any exchange (although failure to give notice will not effect the validity of the exchange).

At any time until the close of business on the earlier of (i) the close of business on the Final Expiration Date or (ii) the close of business on the tenth calendar day of a public announcement indicating that a person has become an Acquiring Person, or thereafter under certain circumstances, the Company may redeem the Rights in whole, but not in part, at a price of \$0.0001 per Right.

Immediately upon the action of the Board of Directors authorizing exchange or redemption of the Rights, the right to exercise the Rights will terminate, and the only right of the holders of Rights will be to receive (if applicable) the Units (or shares of Common Stock of the Company) issuable in connection with the exchange or the Redemption Price without any interest thereon.

Until ten calendar days after the close of business on the day of a public announcement indicating that a person has become an Acquiring Person, or thereafter under certain circumstances, the Company may amend the Rights in any manner. The Company may also amend the Rights Agreement after the tenth calendar day after the close of business on the day a public announcement is made indicating that a person has become an Acquiring Person, to cure ambiguities, to correct defective or inconsistent provisions or in any manner that does not adversely affect the interests of holders of the Rights.

Until a Right is exercised, the holder, as such, will have no rights as a stockholder of the Company, including the right to vote or to receive dividends.

The issuance of the Rights is not taxable to the Company or to stockholders under presently existing federal income tax law, and will not change the way in which stockholders can presently trade the Company's shares of Common Stock. If the Rights should become exercisable, stockholders, depending on then existing circumstances, may recognize taxable income.

The Rights have anti-takeover effects. The Rights will cause substantial dilution to a person that attempts to acquire the Company without obtaining the approval of the Board of Directors, the redemption of the Rights or an amendment to the Rights Agreement permitting the acquisition. However, the Rights generally should not interfere with any merger or other business combination approved by the Board of Directors.

A copy of the Rights Agreement will be available on the Company's website at [www.kgenpower.com](http://www.kgenpower.com). A copy of the Rights Agreement can be obtained free of charge from the Company by writing to KGen Power Corporation, Four Oaks Place, 1330 Post Oak Boulevard, Suite 1500, Houston, Texas 77056, Attention: Corporate Secretary. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated in this summary description by reference.