



KGen Power Corporation

December 18, 2012

KGEM POWER CORPORATION RENEWS SHAREHOLDER RIGHTS PLAN

On December 17, 2012, the Board of Directors of KGen Power Corporation approved the renewal of the Company's shareholder rights plan which expired in July of this year. The Board has taken this action in an effort to protect the Company's shareholders from attempts that might be made by any shareholder or group of shareholders to accumulate a large share position in the Company to impede the timely completion of the plan of liquidation for tax purposes adopted by the Board in April 2011. The failure to complete the liquidation within approximately three years of the adoption of the plan of liquidation could result in the distributions we made to our shareholders becoming subject to unfavorable tax treatment.

As shareholders are aware, we previously declared distributions totaling \$13.60 per share out of the proceeds of the sales of our power plants. In June 2011, we made a cash distribution of \$5.00 per share to our shareholders. On December 5, 2012, we declared a second cash distribution of \$8.60 per share, which will be paid on or about December 26, 2012 to stockholders of record as of the close of business on December 17, 2012. These are the first two distributions under our plan of liquidation for tax purposes.

As described in our December 5, 2012, letter to shareholders, U.S. shareholders will be able to apply these two distributions and future distributions made by the Company prior to the dissolution of the Company against their adjusted tax basis in their Company's shares, rather than treating those distributions as dividends potentially taxable at ordinary income tax rates. However, if the Company fails to make its final liquidating distribution under the plan of liquidation within approximately three years after the adoption of the plan of liquidation, these distributions could be recharacterized as dividends taxable at higher ordinary income tax rates. The shareholder rights plan seeks to protect shareholders from attempts that might be made by any shareholder or group of shareholders to accumulate a large share position in the Company to impede our plan of liquidation by preventing shareholders from accumulating a greater than 15% ownership interest in the shares of the Company, without prior approval of the Board.

The Board will consider requests from any shareholder for approval to exceed the 15% ownership threshold of the rights plan. Any such approval will be subject, among other things, to the Board being satisfied the shareholder will not seek to impede the timely completion our plan of liquidation.

The renewed rights plan is effective immediately. The rights plan will expire on the earlier of December 31, 2014 and the dissolution of the Company. Like our previous shareholder rights plan, our renewed plan includes a shareholder redemption feature (also known as a “chewability” feature).

While our shareholder rights plan is intended to protect shareholders from certain attempts to impede our plan of liquidation, the existence of the shareholder rights plan does not preclude the possibility that shareholders or others may take action that could result in our plan of liquidation not being completed timely. The terms of our renewed rights plan are outlined in a summary description available on the Company’s website at www.kgenpower.com. The Company’s website will also contain a copy of the complete shareholders rights agreement. We urge you to read the summary description and the rights agreement 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)
Gerald J. Stalun
Thomas B. White