K Gen Power

September 15, 2014

To the Former Stockholders of KGen Power Corporation,

Attached please find the Company's Fiscal 2014 audited financial statements for the period ending June 30, 2014.

The attached financial statements are based on our best and latest estimates of the total expenses we anticipate will be incurred to complete the liquidation of the Company's assets. As we continue to work through the wind down process, our estimates of the total expenses to complete the liquidation of the Company's assets may change.

We expect that the final amount of $22.2 million will be released to us from escrow in May of 2016. As such, we expect the liquidating trust (described below) will make a final liquidating distribution to our former stockholders by the end of calendar year 2016.

The foregoing is based on the current estimates of management. The amount of cash ultimately distributed, and the timing of any distributions, will depend on the extent, if any, to which the Company becomes subject to claims for indemnification under the Company's transaction agreements and the amount of escrowed funds under those agreements ultimately released to the liquidating trust. In addition, the amount of cash ultimately distributed to our former stockholders will be reduced by, and the timing of such distributions may be delayed on the account of, any liabilities, obligations and expenses and claims against the Company or the liquidating trust and contingency reserves that may be established by the board of directors of the Company or the trustees of the liquidating trust. In connection with the final expected distribution, we expect to provide former stockholders with further guidance as to future distributions.

As part of the process of dissolving the Company, after close of business on June 30, 2014, all of the remaining cash and other assets of the Company, including the Company's rights to the funds escrowed under its transaction agreements, were transferred to a liquidating trust. Our former stockholders will generally be treated for tax purposes as having received their pro rata share of the fair market value of the property transferred to the liquidating trust, reduced by the amount of any known liabilities assumed by the liquidating trust. Stockholders at that time received, for each share of the Company they then owned, one unit of beneficial interests in the liquidating trust, which is generally not transferable. More information regarding the liquidating trust is contained in the proxy statement relating to the Company's February 2013 annual meeting (available at www. kgenpower.com). Based on an evaluation done by a consultant experienced in the valuation of assets in the power generation industry, as of June 30, 2014, the fair market value of one unit of beneficial interest in the liquidating trust was $0.38. The amount will be reflected in the Form 1099 which will be distributed to our former stockholders in the first quarter of 2015.

If you have any questions about the foregoing or the attached financial statements you may contact the Company at (713) 979-1990.

The Board of KGen Power Corporation
Daniel T. Hudson (Chairman)
Thomas B. White

KGEN POWER CORPORATION

Audited Financial Statements

For

Year Ended June 30, 2014

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Investor Relations
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
KGen Power Corporation
Houston, Texas

We have audited the accompanying financial statements of KGen Power Corporation (the "Company"), which comprise the statements of net assets and changes in net assets as of June 30, 2014 and 2013 (liquidation basis).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets and changes in net assets of KGen Power Corporation as of June 30, 2014, in accordance with accounting principles generally accepted in the United States of America applied on the bases described in Note 1 to the financial statements.

Emphasis of Matter Regarding Liquidation Basis of Accounting

As discussed in Note 1 to the financial statements, the stockholders of KGen Power Corporation approved a plan of liquidation on February 7, 2013, and the Company commenced liquidation shortly thereafter. As a result, the Company has changed its basis of accounting for periods subsequent to February 7, 2013 from the going concern basis to the liquidation basis. Our opinion is not modified with respect to this matter.

Deloitte + Touche LLP

September 15, 2014

KGen Power Corporation

Statements of Net Assets and Changes in Net Assets as of June 30, 2014 and 2013 (Liquidation Basis)

(in thousands)

	June 30, 2014	June 30, 2013
Assets		
Cash and cash equivalents	$ 5,925	$ 10,694
Restricted cash in escrow	22,200	68,000
Prepaid expenses and other current assets	1,040	1,382
Total assets	$ 29,165	$ 80,076
Liabilities		
Accrued tax liabilities	$ -	$ 6,902
Reserve for estimated costs during liquidation	3,965	6,250
Total Liabilities	$ 3,965	$ 13,152
Net Assets in Liquidation	$ 25,200	$ 66,924
Net Assets, beginning of period	66,924	73,822
Adjustments to liquidation basis	1,943	(6,898)
Liquidating Distributions to shareholders	(43,667)	-
Net Assets, end of period	$ 25,200	$ 66,924

The accompanying notes are an integral part of these financial statements.

KGen Power Corporation

Notes to Audited Financial Statements

1. Nature of Business and Significant Accounting Policies

Background—KGen Power Corporation (the "Company") was incorporated in Delaware on December 4, 2006. The Company owned and operated electric power generation plants and sold electricity and electrical generation capacity in the United States to wholesale purchasers such as retail electric providers, power trading organizations, municipal utilities, electric power cooperatives, and other power generation companies.

On November 30, 2012, the Company completed the sale of its combined-cycle power generation facility located in Hinds County, Mississippi, to Entergy Mississippi, Inc. for a purchase price of $202.6 million in cash (after giving effect to closing adjustments). The Company received $172.6 million of the purchase price in connection with the closing. Under the terms of the Hinds transaction agreement, $30.0 million of the purchase price was placed into escrow to secure customary post-closing indemnification obligations to be released in three installments. The first installment of $10.0 million was released in December 2013. A second installment of $10.0 million was released in June 2014. A third installment of $10.0 million is subject to release from escrow 42 months after closing, in May 2016.

On November 30, 2012, the Company completed the sale of its combined-cycle power generation facility located in Hot Spring County, Arkansas, to Entergy Arkansas, Inc. for a purchase price of $253.0 million in cash. The Company received $215.0 million of the purchase price in connection with the closing. Under the terms of the Hot Spring transaction agreement, $38.0 million of the purchase price was placed into escrow to secure customary post-closing indemnification obligations to be released in three installments. The first installment of $12.0 million was released in December 2013.A second installment of $13.8 million was released in June 2014. A third installment of $12.2 million is subject to release from escrow 42 months after closing, in May 2016.

With the completion of the sale of its Hinds and Hot Spring facilities in November 2012, the Company no longer owns any power generation plants.

On June 24, 2011, the Company made a cash liquidating distribution of $5.00 per share totaling $280.6 million to its stockholders out of the net proceeds received at closing from the sale of KGen Murray I and II LLC. On December 26, 2012, the Company made a cash liquidating distribution of $8.60 per share totaling $484.1 million to its stockholders out of (a) the net proceeds received by the Company at closing from the sale of the Hot Spring and Hinds power generation facilities, (b) the net proceeds of escrow amount released to the Company in October 2012 under the terms of the Murray transaction agreement, and (c) excess cash on hand not reserved for the winding down of the Company's business. On December 23, 2013, the Company made a cash liquidating distribution of $0.45 per share totaling $25.2 million to its stockholders out of the net proceeds of escrow amounts released to the Company in December 2013 under the terms of the Hinds and Hot Spring transaction agreements. Additionally, on June 23, 2014, the Company made a cash liquidating distribution of $0.33 per share totaling $18.5 million to its stockholders out of the net proceeds of escrow amounts released to the Company in June 2014 under the terms of the Hinds and Hot Spring transaction agreements.

On January 3, 2013, the Board of Directors adopted a plan of dissolution (the "Plan of Dissolution") under the General Corporation Law of the State of Delaware. The Plan of Dissolution was submitted to, and approved and adopted by, the Company's stockholders at a special meeting held February 7, 2013. For additional information, please refer to the Company's proxy statement that was provided to stockholders for this meeting. The Plan of Dissolution became effective as of the close of business on June 30, 2014, the "Dissolution Date". The Company transferred the cash and other remaining assets of the Company, including the Company's right to receive cash released from escrow under the Company's transaction agreements to a liquidating trust for the benefit of stockholders of record as of the close of business on the Dissolution Date (the "Liquidating Trust'). In addition, the Liquidating Trust assumed, and became responsible for, all of the Company's unsatisfied liabilities and obligations, including any future or contingent liabilities of the Company. The Company's stockholders of record as of the close of business on the Dissolution Date received one unit of beneficial interests in the Liquidating Trust for each share of common stock of the Company that they owned.

1. Nature of Business and Significant Accounting Policies (continued)

The beneficial interests in the Liquidating Trust are generally not transferable by the holders thereof. All cash transferred by the Company to the Liquidating Trust and the net proceeds to the Liquidating Trust of funds released from escrow after the Dissolution Date (and the proceeds received by the Liquidating Trust from the disposition of any non-cash assets it receives) will be distributed by the Liquidating Trust to the holders of beneficial interests in the Liquidating Trust, subject to wind down expenses and reserves for liabilities of the Company and the Liquidating Trust.

The Company's activities are now limited to collecting and realizing the value of its remaining assets; making tax and regulatory filings; providing audited and unaudited financial reports to stockholders; winding down the Company's remaining activities and making liquidating distributions to its stockholders.

The Company's assets consist of cash and escrowed cash related to its previous asset sales. The Company believes that its current cash position and the cash expected to be released to it from escrow will be sufficient to meet its current obligations, to fund wind down operations, and to allow the Company to pay liquidating distributions (See Note 5).

Liquidation Basis of Accounting—As a result of the Company's stockholders' approval and adoption of the Plan of Dissolution, the Company's financial statements are prepared using the liquidation basis of accounting effective February 7, 2013. This basis of accounting is considered appropriate when, among other things, liquidation of a company is probable and the net realizable values of assets are reasonably determinable. Under this basis of accounting, assets are valued at their net realizable values and liabilities are stated at their estimated settlement amounts. The conversion from the going concern to liquidation basis of accounting required management to make significant estimates and judgments to record assets at estimated net realizable value and liabilities at estimated settlement amounts. The estimates are subject to change based upon the timing of escrow funds being released and potential indemnity claims against the escrow accounts.

The Company will continue to incur costs and receive income on its investments and cash and cash equivalents throughout the liquidation period. On a regular basis management evaluates assumptions, judgments and estimates that can have a significant impact on reported net assets in liquidation based on the most recent information available to us, and when necessary make changes accordingly. Actual costs and income may differ from estimates, which might reduce net assets available in liquidation to be ultimately distributed to shareholders.

Principles of Consolidation—The financial statements include the accounts of the Company and those of KGen Partners LLC, KGen Power Management Inc., KGen LLC, KGen Murray LLC, KGen Hot Spring LLC, KGen Hinds LLC, KGen Acquisition I LLC, and all current or former direct or indirect 100% owned subsidiaries of the Company. All significant intercompany balances and transactions have been eliminated in consolidation. On March 4, 2013, KGen Partners LLC, KGen Murray LLC, and KGen Acquisition I LLC merged into and with KGen LLC with KGen LLC remaining as the surviving entity. On May 12, 2014, KGen Power Management Inc., KGen LLC, KGen Hot Spring LLC, KGen Hinds LLC merged with and into the Company with the Company remaining as the surviving entity.

Use of Estimates—The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates could differ from actual results.

Fair Value of Financial Instruments—The Company's current financial instruments consist primarily of cash and cash equivalents, restricted cash in escrow, and accrued liabilities.

1. Nature of Business and Significant Accounting Policies (continued)

Cash and Cash Equivalents and Restricted Cash in Escrow--Short-term investments, consisting of money market instruments with original maturities of three months or less, are considered to be cash equivalents and are recorded at cost, which approximates current market value.

Cash and cash equivalents and restricted cash in escrow that are contractually restricted for specific purposes are classified as restricted on the balance sheet.

Income Taxes--The Company accounts for income taxes using the asset and liability method. The asset and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of (i) temporary differences between financial statement carrying amounts of assets and liabilities and the basis of these assets and liabilities for tax purposes and (ii) operating loss and tax credit carryforwards for tax purposes. Deferred tax assets are reduced by a valuation allowance when management concludes that it is more likely than not that a portion of the deferred tax assets will not be realized in a future period.

Accrued Cost of Liquidation—The Company is required to make significant estimates and exercise judgment in determining accrued liquidation costs. The Company reviewed all expected expenses and contractual commitments such as consulting fees and related expenses, lease termination costs, professional fees, and other outside services to determine the estimated costs to be incurred during the liquidation period. Accordingly, estimated expenses anticipated to occur until the final release of escrowed funds to the Company expected to occur in May 2016 were accrued in the Statement of Net Assets as of June 30, 2014. The accrued costs expected to be incurred in liquidation and payments since July 1, 2013 made related to the accrued liquidation cost are as follows (in thousands of dollars):

Accrued Liquidation Cost	Balance at July 1, 2013	Adjustments to Reserve	Payments from Reserve	Balance at June 30, 2014
Management Cost	2,681	(206)	(625)	1,850
Lease buyout	-	9	(9)	-
Insurance	475	(123)	4	356
Technical Consulting	172	(46)	(1)	125
Professional Services	1,353	(517)	(212)	624
Operations	400	-	-	400
Other	1,170	(100)	(460)	610
Total	6,251	(983)	(1,303)	3,965

2. Commitments and Contingencies

Litigation—The Company may be a party to various legal and regulatory actions arising in the wind down of its business. Matters that are probable of unfavorable outcome to the Company and which can be reasonably estimated are accrued. As of June 30, 2014 no such matters existed.

3. Shares Outstanding

As of June 30, 2014, the Company had 55,982,811 shares of common stock outstanding.

4. Income Taxes

During the year ending June 30, 2014, the Company prepared its financial statements on the liquidating basis of accounting. As such, no book income has been recorded for such period. Taxable income for the year ending June 30, 2014 is $17.4 million which is comprised of previously deferred gains of $18.7 million, related to the sales of the Hinds and Hot Spring facilities, in addition to deductions for liquidation expenses of $1.3 million. The Company made federal estimated tax payments of $6.6 million during the year ending June 30, 2014, related to such income. For tax purposes, the liquidation of the Company required the recognition of all deferred gains in the year ending June 30, 2014, even though not all escrow deposits had been received as of the Dissolution Date. The Company has completed the process of determining the fair value of the escrow deposits and the wind down liabilities. Based on this determination, the fair value is less than the amounts used in the calculation of the remaining deferred gains for estimated tax purposes and therefore the gains reported on the final tax return for year ending June 30, 2014, will reflect such reduced value. The Company has recorded a $0.44 million receivable related to the overpayment of federal estimated taxes in the prepaid expenses and other current asset line of the financial statements.

As the remaining escrow receivable will remain in an escrow account until 2016, the Liquidating Trust has been formed to hold the receivable. The liquidation of the Company has resulted in a deemed distribution to all KGen Power shareholders of record on the Dissolution Date receiving an interest in the remaining net assets of the Company, primarily the escrow receivable less the liquidation expenses. The shareholders are deemed to have contributed their distributed interests to the Liquidating Trust which will hold the net assets until the final escrow deposits have been released, liquidation liabilities paid and remaining assets distributed.

Final state tax returns for Arkansas, Georgia and Mississippi were filed for year ending June 30, 2013. Final Texas margin tax returns through the date of liquidation of KGen have also been filed. The Company is expecting a state tax refund from Georgia and therefore has recorded a $0.60 million receivable in the prepaid expenses and other current asset line of the financial statements.

5. Liquidating Distributions

The Company has made the following liquidating distributions to its stockholders: $5.00 per share on June 24, 2011, $8.60 per share on December 26, 2012, $0.45 per share on December 23, 2013 and $0.33 per share on June 24, 2014.

The Company expects that the Liquidating Trust will make additional distributions subsequent to the release of funds from escrow under the Company's Hinds and Hot Spring transaction agreements. The amount of cash ultimately distributed, and the timing of those distributions, will depend on the extent, if any, to which the Company becomes subject to claims for indemnification under the transaction agreements and the amount of escrowed funds ultimately released to the Liquidating Trust. In addition, the amount of cash ultimately distributed will be reduced by, and the timing of such distributions may be delayed on the account of, any liabilities, obligations and expenses and claims against the Company or the Liquidating Trust, and contingency reserves that may be established by the board of directors of the Company or the trustees of the Liquidating Trust.

6. Subsequent Events

Subsequent events were analyzed and considered through September 15, 2014, the date this report was available for issuance.